Austria Sch22	Indonesia ... Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore .... S$4.10
Canada ...... C$1.00	Japan Y600	Spain Pta125
Cyprus ...... C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr8.00
Egypt .... E£2.25	Lebanon ... S£125.00	Switzerland. SFr2.20
Finland Fmk7.00	Luxembourg .. LFr48	Taiwan .... NT$65
France FFr6.50	Malaysia Rin4.25	Thailand Bht50
Germany DM2.20	Mexico Pes300	Tunisia Din0.800
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong .. HK$12	Netherlands... Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,332 — Wednesday September 9 1987 — D 8523 A

Britain and the EMS: reformed system would be best, Page 25

World News

Iraqi Gulf attacks break lull of four days

Iraq broke a four-day lull in attacks on Gulf shipping with an air strike yesterday on two "large naval targets", its term for oil tankers or merchant ships.

An Iraqi military spokesman said the aircraft attacked the vessels at the tanker waiting area east of Iran's main oil terminal at Kharg Island

Schlueter in trouble

Danish Prime Minister Poul Schlueter's four-party coalition looked set to lose its working majority after yesterday's general election but the opposition Social Democrats did not appear to be in a position to form a government. Page 26

Luanda talks resume

Washington's top Africa specialist, Assistant Secretary of State Chester Crocker, arrived in Luanda for a surprise resumption of talks on Namibia and the withdrawal of Cuban troops from Angola.

Australian pit strike

Australian coal miners were to begin a national strike, likely to last at least a week, in protest at job losses. Page 26

East-West accord

East and West Germany appeared likely to agree to regular summit meetings in the future after two days of talks in Bonn between East German leader Erich Honecker and West German Chancellor Helmut Kohl. Page 2

Mozambique strike

Rightwing Mozambican rebels said they had cut the oil pipeline between Beira in Mozambique and Mutare, Zimbabwe.

Four die in Sri Lanka

Masked gunmen killed a Christian pastor and three companions in fighting between rival Tamil groups in northern Sri Lanka.

Fiji warning

Fiji Governor-General Ratu Sir Penaia Ganilau threatened to appoint a caretaker government if the administration deposed in last May's coup refused to return to political peace talks.

Vietnam jails general

Vietnam sentenced Major-General Nguyen Truong Xuan, the Haiphong garrison commander, to 20 years in jail for corruption.

Burundi frees 600

Burundi's new ruler, Major Pierre Buyoya announced the release of more than 600 political prisoners jailed under the previous regime.

Civil Guard killed

Two gunmen believed to be Basque separatists killed a Spanish Civil Guard officer in a daylight attack in Bilbao.

Soviet satellite launch

The Soviet Union launched six exploratory satellites into orbit with a single booster rocket.

Libyan casualties

Chad said its troops had killed more than 1,700 Libyan soldiers in their weekend raid on a Libyan air base.

Venezuela floods toll

President Jaime Lusinchi flew to the central Venezuelan city of Maracay to assess the impact of floods that killed more than 100 people and left thousands homeless.

Agrokomerc man held

Fikret Abdic, former head of Agrokomerc, the company at the centre of a Yugoslavian financial scandal, was arrested on charges of crimes against the self-management system.

Moscow books seized

American and Israeli publishers said Soviet officials had confiscated several dozen books intended for display at the Moscow International Book Fair.

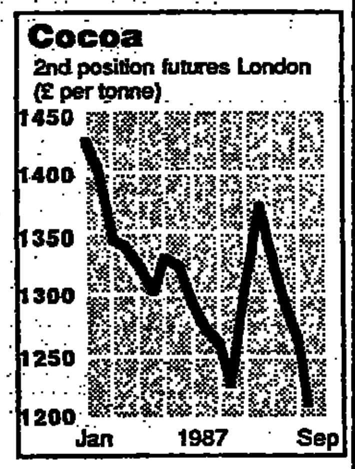
Business Summary

Pickens launches bid for Newmont

T BOONE PICKENS, the Texas corporate raider, yesterday launched an all-out assault on Newmont Mining, the US gold and energy group, with an offer to buy out the company's shareholders for $95 a share or about $6.3bn. Page 26

FRENCH state-owned heavy industry is making a faster return to health than had been expected, according to Mr Alain Madelin, industry minister. Page 27

COCOA PRICES fell in London as delegates to the International Cocoa Organisation continued to seek an agreement on the operation of the buffer stock.



The December contract on the London Futures and Options Exchange fell £29 to close at £1,214.50 a tonne - the lowest closing level since April 1983. Page 36

GOLD fell $5.75 on the London bullion market to close at $458.00. In Zurich it fell to $456.50 ($463.85). Page 36

WALL STREET: The Dow Jones industrial average closed 16.26 down at 2,545.12. Page 48

DOLLAR closed in New York at DM1.7950, Y141.60, FFr6.0015, SFr1.4860. It rose in London to close at DM1.7925 (DM1.7920); but fell to Y141.70 (Y141.75); to SFr1.4840 (SFr1.4850); and remained unchanged at FFr5.9950. On Bank of England figures the dollar's exchange rate index fell 0.1 to 100.1. Page 37

STERLING closed in New York at $1.6605. It fell in London to $1.6595 ($1.6600); to FFr9.9475 (FFr9.9525); and to SFr2.4625 (SFr2.4650); and remained unchanged at DM2.9750 and Y235.25. The pound's exchange rate index closed at 73.2. Page 37

LONDON: UK equities turned lower when Wall Street opened weakly after the Labor Day holiday. The FT-SE 100 index finished 8.6 lower at 2,275.0 and the FT Ordinary index was down 13.3 at 1,775.2. Details Page 44

TOKYO recovered as telecommunications shares surged. The Nikkei market average recouped 200.00 to 25,204.09. Volume remained light at 546m shares. Page 48

GAF, New Jersey producer of special chemicals and building products, received a $2.3bn management buyout offer from Mr Samuel Heyman, chairman. Page 27

GENERAL MOTORS, world's largest automotive group, will produce a substantial net profit for its European operations in 1987 after chalking up losses totalling over $1bn in the past three years. Page 27

PHILIPS SA, Belgian arm of the Dutch electronics group, will introduce a new instrument to the Belgian financial markets - BFr5bn ($134m) of conversion certificates - in a bid to tap indigenous sources for its substantial investment programme. Page 31

RATNERS GROUP, UK jewellery retailer, may face another claim for large "golden handshakes" following the resignations of five members of the Weinstein family, former controlling shareholders of the rival Ernest Jones chain which Ratners bought for £25m ($41.25m) in July. Page 18

US blocks Brazil's plan to convert bank debt to bonds

BY STEWART FLEMING IN WASHINGTON AND ALEXANDER NICOLL IN LONDON

BRAZIL yesterday dropped a radical plan to convert half the country's $68bn debt to banks into bonds after failing to win the support of the US.

Despite the setback, Mr Luiz Carlos Bresser Pereira, the Brazilian Finance Minister, insisted that he would press ahead with efforts to secure agreement of the banks for a more conventional financing package, including a new loan.

After meeting in Washington yesterday with Mr James Baker, the US Treasury Secretary, and top Federal Reserve Board officials, Mr Bresser Pereira said that Mr Baker had objected to the Brazilian proposal.

In a statement later, the US Treasury described the securitisation plan as a non-starter. "There was a general agreement that Brazil's problems should be addressed in a conventional way and both parties agreed to continue to consult closely toward that end."

Mr Bresser Pereira unveiled the plan only last week. Officials had said the bonds would have a 35-year maturity and low fixed interest rates taking into account the fact that Brazilian debt trades at a deep discount in the secondary loan market. The debt trades at about 55 per cent of face value.

The latest decision will be greeted with relief by banks, which had objected to the proposed compulsory conversion because it would have forced them to take substantial write-offs. Many have already taken big loan loss provisions on their Third World exposure since Brazil suspended interest payments to them in February.

Mr Bresser Pereira said Mr Baker had accepted the idea that a Brazilian refinancing could involve an effort to issue so-called "exit bonds".

These would be modelled after the securities which Argentina offered bank lenders as part of its recent debt restructuring. Mr Bresser Pereira indicated that the US is insisting, however, that participation in any such scheme should be voluntary, and that the bonds would be issued with the same value as the loans they replace without forcing a write-down.

Bankers in London said the amended plan appeared more akin to the "menu of options" approach, providing borrowers and lenders with a range of financing options, of which the Argentine package was the prototype.

But they noted that the Argentine exit bonds were scarcely taken up by banks because the 25-year bonds with 4 per cent interest coupons were not attractive.

Brazil is also expected to seek some $7bn in new bank loans which will help it to pay interest on its debt for this year and next.

US officials were clearly delighted at the Brazilian Finance Minister's change of position. "I hope we have taken care of that problem," said one top Treasury official who characterised the Brazilian proposal as "a gigantic scheme...a dressed-up form of default."

The official pointed out, however, that the US was receptive to moves by Brazil to exploit the existing flexibility within what the Treasury described yesterday as the "conventional" approach to tackle Third World debtors' problems.

He pointed out, for example, that in considering new commercial bank lending to Brazil the Treasury was making a distinction between new money to meet Brazil's interest arrears for 1987 and additional funds for next year. New money to cover 1987 arrears, he suggested, should not necessarily be linked to a formal standby

Continued on Page 26

Investors' gloom, Page 48

Hill Samuel dismisses two directors over secret talks

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

HILL SAMUEL, the City of London merchant banking group, yesterday dismissed the head of its corporate finance department and his deputy for holding what it called "unauthorised discussions" about the possible transfer of their department to another company.

Mr David Davies, Hill Samuel's chief executive, said that their conduct was "reprehensible" and "totally inconsistent with their responsibilities as directors." The two men, Mr Trevor Swete and Mr Christopher Roshier, declined to comment publicly last night.

The two are believed to have been negotiating with groups which included Barclays de Zoete Wedd (BZW), the newly formed investment banking arm of Barclays Bank. BZW's corporate finance department is headed by Mr Richard Heley, a former director of Hill Samuel.

The dismissals come only three weeks after merger talks between Hill Samuel and Union Bank of Switzerland collapsed unexpectedly, leaving a big question mark over Hill Samuel's future. There was considerable speculation that the group would subsequently suffer defections.

According to sources in Hill Samuel, the corporate finance department was deeply disappointed by the failure of the merger talks, which they hoped would raise the group into the big international league. After the collapse, Mr Swete and Mr Roshier contacted a number of banking groups to negotiate a move which would have included a large number of their colleagues.

Hill Samuel's corporate finance department has 130 people, and 17 directors, and claims to have one of the largest client lists in the City.

BZW was likely to be interested because of the personal connection through Mr Heley, and the group's keenness to build up its corporate finance business, which is new and relatively small. However, news of the negotiations got back to Hill Samuel's headquarters at the end of last week, and Mr Swete and Mr Roshier were called to account.

Although there have been several mass defections from City institutions before and after last year's Big Bang, Hill Samuel took the view that Mr Swete and Mr Roshier were acting beyond their powers.

Lex, Page 26

Alfonsin faces crisis as cabinet members offer resignations

BY TIM COONE IN BUENOS AIRES

THE ARGENTINE Government is in crisis after members of President Raul Alfonsin's cabinet offered their resignations late on Monday night, after the heavy defeat of the ruling Radical Party (UCR) at Sunday's mid-term elections.

The proposed resignations include Mr Juan Sourouille, the Economy Minister, whose austere economic policy has been widely blamed for the party's defeat.

A senior party official told the Financial Times yesterday: "It is up to the President now to decide who stays and who goes," but added that "there will be a period of reflection for three or four days" before any announcements are made.

President Alfonsin has declined to make any public statement or comment on the outcome of the elections, adding to the confusion and uncertainty over the future course of the Government, especially on economic policy.

The Peronist opposition, rooted in the trade union movement, staged a major comeback in the polls, taking control of most of the country's provincial governments and shattering the Government's slim majority in the national congress. No party

COMPOSITION OF CHAMBER OF DEPUTIES

	1985 election	1987 election
UCR	130	118
PJ	103	107
UCD	3	7
PI	6	5
Others	12	17

UCR: radicals; PJ: Peronists; UCD: Union Centro Democratica (conservative); PI: Partido Intransigente (centre-left); others: 12 regional parties (mostly conservative)

now holds an absolute majority and the Government faces the prospect of paralysis if the opposition, led by the Peronists, unite against the UCR in the congress.

President Alfonsin must decide whether to build alliances with the various conservative parties represented in the congress, which also made advances in the polls, or to extend a hand to the Peronists, clearly the principal election victors, offering cabinet posts and the possibility of a coalition government.

The first option, implying a shift further to the right and an even more orthodox and austere economic policy, risks a head-on confrontation with the trade unions and the Peronists.

The second option, however, also faces the prospect of failure because of the reluctance of the Peronists to associate themselves too closely to the Government and an economy which shows few prospects of recovery before the next presidential elections in 1989.

The Peronists now believe they have the presidency in sight. According to Mr Diego Guelar, a Peronist deputy and congress spokesman on budget issues: "The Peronist response to a coalition government will probably be 'no'. Nothing has been thought out yet. We are divided on the issue and we were irresponsible to arrive at the elections without a clear economic programme with which we could negotiate. The only clear point of agreement within the party is on the foreign debt, to follow a path similar to Brazil, and that would be the basis of any agreement with the Government".

Mr Guido de Tella, an economist close to Mr Antonio Cafiero, the leader of the Peronist Party, was even more emphatic. "Acceptance of government posts is highly improbable. For now we intend to remain in opposition.

Italo-Swiss arms dealer surrenders to Italian authorities

By Alan Friedman in Milan

MR ALDO ANGHESSA, the shadowy Italo-Swiss arms trafficker thought to hold the key to Italy's international arms and drugs scandal, yesterday surrendered to the authorities.

An official of the carabinieri at the Italian Ligurian port of La Spezia said Mr Anghessa, 43, turned himself in early yesterday afternoon and would face his first formal interrogation last night.

Mr Anghessa escaped arrest last Friday in the Adriatic port of Bari, where he left behind in a hotel room a case stuffed with documents that magistrates say implicate Valsella, a Brescia arms company, in the clandestine shipment of sea and land mines to Iran.

According to magistrates, who, with the help of the Italian secret services wiretapped telephone conversations between Mr Anghessa and the Brescia company, the documents provided evidence that Valsella was aware its mines were destined for Syria and Iran, even though they were despatched officially to Nigeria, Spain and Turkey.

Mr Ferdinando Borletti, the Valsella chairman, who with his son and other Valsella directors is under arrest and charged with the export of mines and other war material to Iran, has denied the accusations.

Mr Anghessa is also thought by magistrates to have collaborated with the Sicilan Mafia and Islamic terrorists to import weapons for use by terrorists operating in Europe and drugs for the Mafia.

The ease with which Mr Anghessa escaped capture last week and the manner in which he left the documents behind has raised many questions.

Swiss officials last night denied persistent rumours that Mr Anghessa worked in the past as a police informer. It has also been alleged that Mr Anghessa, acting as a double agent, may have helped Italian police last Thursday to seize a Beirut-registered ship at Bari, found to contain missiles, bazookas, grenade launchers, two kilos of pure heroin and 15 kilos of hashish.

Mr Anghessa's arrest represents a major development in the complex affair. For Italians the discovery of Mr Anghessa's case stirs memories of the last time a major scandal erupted in this manner. In 1981 police found a case full of documents listing 962 alleged members of the Propaganda Due freemasons' lodge at the Arezzo villa of Mr Licio Gelli, the still-fugitive grandmaster of the outlawed lodge.

EMS changes agreed by central banks

BY ANDREW FISHER IN BASLE

EUROPEAN central bankers yesterday agreed on measures to improve the working of the European Monetary System, but postponed consideration of some of the more far-reaching changes for which France has argued.

The measures, understood to be mainly technical and involving currency intervention procedures, are contained in a 16-page report which will be presented to EC finance ministers at next weekend's meeting in Denmark.

"It is a genuine agreement, not a kind of compromise," said Mr Carlo Ciampi, Governor of the Bank of Italy and chairman of the group of EC central bank governors, which met in Basle. "It represents, I think, important progress in the functioning of the EMS."

He declined to give details of the unanimous agreement, saying the issues were well known. Other European monetary sources said the package allowed for more so-called intramarginal intervention before currencies reached their maximum limits under the eight-currency EMS.

Also, greater use of the European currency unit (Ecu) for repayments within the short-term credit mechanisms of central banks would be allowed. These are now restricted to 50 per cent of the initial credit.

The monetary sources said a key reason for the agreement was to avoid a repetition of the embarrassing row which took place between France and Germany before last January's EMS realignment. Then, Paris and Bonn argued about who should move to stop funds from flowing

Carlo Ciampi: genuine agreement

heavily out of the franc into the strong D-Mark.

Although the measures agreed in Basle seemed to fall some way short of the ambitious improvements sought by France, Mr Jacques de Larosiere, Governor of the Bank of France, tersely replied "of course," when asked later if he was pleased with the agreement.

France has sought new rules to allow the use of unlimited credit facilities between central banks to support intramarginal intervention. It has also said such intervention should be carried out in more EMS currencies, instead of mainly the D-Mark.

Editorial comment, Page 24;
Britain and the EMS, Page 25
Continued on Page 26

Dollar support fails to dispel pessimism

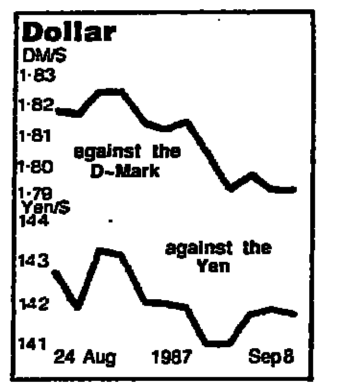
BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

EUROPEAN central banks intervened jointly yesterday to prop up the dollar, but the action did little to dispel the pessimism on foreign exchange markets over the outlook for the US currency.

The intervention, involving dollar purchases by the Bundesbank, the Bank of England, the Bank of Italy and several smaller central banks, was aimed at underlining their public commitment in Basle on Monday to exchange rate stability.

The purchases, however, were

Continued on Page 26



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BULGARIA STEPS OUT ON ROAD TO ECONOMIC REFORM

Todor Zhivkov, the party leader, redefines state role and attacks "feudal barons", Page 26

Jail riots leave Belgian minister in the firing line

BY QUENTIN PEEL IN BRUSSELS

BELGIAN POLICE and prison services were on full alert last night for any renewed outbreak of violence in the country's aging jails, after two nights of rioting in protest at allegedly better conditions being offered to Liverpool football fans facing trial for manslaughter.

Once again the tragedy at the Heysel football stadium in Brussels in 1985, when Liverpool supporters caused a stampede resulting in 39 deaths in the crowd at the European Cup final, threatens to cause a major row in Belgian politics.

Mr Jean Gol, the Minister of Justice and leader of the French-speaking Liberal Party in the governing coalition, was yesterday on the defensive both about the decaying and overcrowded state of national prisons, and about his decision to show journalists around the modernised cells available for the 26 Liverpool fans being extradited from Britain.

The riots on Sunday and Monday nights occurred in the oldest jails in the country—Forest and St Gilles in central Brussels — which the most ardent Government spokesman admits to be in a sorry state.

Thanks to the slow-moving Belgian legal process, slightly more than half the 7,000 prisoners in Belgian jails are on remand, awaiting the end of their trials. Moreover, the average annual number of prisoners has increased from about 4,000 to the present figure over the past 15 years.

Mr Gol insisted yesterday that a comprehensive modernisation plan was in progress for the state prisons, but at the same time sought to deny suggestions that the modernised cells for the Liverpool fans would in any way amout to "three-star hotels."

He blamed the press for publishing exaggerated reports on the comforts available—including colour television and table football—after Socialist politicians attacked him for shewing them off. He appears to have been caught by his own desire to reassure British public opinion that extradition was not unfair, by arousing the fury of Belgian remand prisoners kept in far worse conditions elsewhere.

Mr Gol himself forced the resignation of Mr Charles-Ferdinand Nothomb, the rival Social Christian Party leader, in 1985, when the latter was Interior Minister and responsible for the policing of the Heysel stadium at the time of the disaster. The resulting row caused the last Belgian general election.

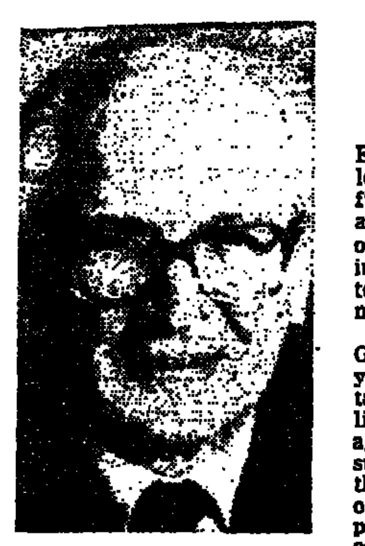
The present furore has yet to produce any public conflict within the governing coalition, but failure to control the prison disturbances, and dampen the prisoners grievances, will inevitably be used aaginst the Justice Minister himself.

Meanwhile, an information blackout was imposed last night on the likely arrival of the Liverpool fans, expected to be sometime in the course of today.

There was a threat of further protests yesterday in Louvain prison itself, where the Liverpool fans are to be held on remand — and Belgian prisoners went "on strike" to demand a review of the precedures for parole.

When the Liverpool fans arrive they will go first to the Palais de Justice — the Law Courts — in Brussels, for questioning by an examining magistrate, before being held at Louvain pending trial

East and West Germany to improve links



● Honecker: underlines political differences

BY DAVID MARSH IN BONN

EAST AND WEST Germany look likely to agree regular future summit meetings after agreeing yesterday to a variety of measures to improve links, including important accords on technology and the environment.

Mr Erich Honecker, the East German leader, who ended yesterday two days of political talks in Bonn, brusquely underlined fundamental political disagreement between the two states, rejecting Bonn's claim that the two countries form one nation. He now starts a packed three-day tour of a country he last saw nearly four decades ago.

The East Germans also dismissed, in public at least, calls by Mr Helmut Kohl, the West German Chancellor, for a permanent end to the shoot-on-sight policy of East German soldiers guarding the border.

Mr Kohl's inability to win any immediate concessions on human rights — to which only scant reference was made in a lengthy final communique yesterday — looks certain to run into criticism in West Germany from politicians on both left and right.

However, underlining the tone of cautious optimism about the outcome of the talks, Mr Wolfgang Schaeuble, the Bonn Chancellery Minister, said, "The important thing is that we have the intention, step by step, to develop co-operation further."

The two sides agreed to conclude soon an accord on reciprocal electricity deliveries and to improve the Hanover-Berlin rail link, as well as to examine East German border claims along the river Elbe.

As part of the gradual process of normalisation, the following steps were also decided:

● Scientific co-operation is to be stepped up following conclusion of an agreement—under discussion for 14 years—for joint projects between East and West German researchers. An initial batch of 27 projects ranging from physics and production technology to research on AIDS has been agreed.

East Germany is likely to become an associate member of the European Eureka technology programme. East German researchers and technicians will have improved access to West German universities, with companies also co-operating on projects.

● Joint efforts will be made to reduce environmental damage along the East-West German border, where West Germany has long been worried about river pollution and noxious emissions from East German industrial plants and power stations.

● The two countries will exchange information on reactor safety designed to reduce the danger of nuclear accidents and improve radioactive waste disposal.

● The two sides plan further steps to improve travel, communication and other personal contacts. Bonn now expects 1m younger East Germans to visit West Germany this year, not counting pensioners who have relatively liberal access to the West. Sporting, cultural and tourism links will be intensified. Inter-German rail fares will be cut and East Germany agreed to ease some restrictions on postal deliveries from West Germany of cassettes and electronic goods, specialist magazines and phamaceuticals.

Kohl's Berlin Wall attack is read across border

BY LESLIE COLITT IN BERLIN

EAST GERMANS are being treated to an exhilarating dose of freedom of the East German press which is providing detailed coverage of the visit to West Germany by the East German leader Mr Erich Honecker.

The main Communist newspaper, Neues Deutschland, yesterday carried remarks by West Germany's Chancellor Helmut Kohl in which he condemned the Berlin Wall and reaffirmed Bonn's goal of German reunification in his welcome speech to Mr Honecker.

East Germans yesterday queued to buy the party newspaper which normally filters out Western political opinions and is read mainly by East German officials. Neues Deutschland carried a verbatim account of Chancellor Kohl's speech including his call for an end to the shooting at the East-West border.

The newspaper also ran the speech by West Germany's president, Mr Richard von Weizsaecker in which he reminded Mr Honecker of the "painful division" of Germany and Berlin.

The unusual openness was ushered in by East German television's live coverage of the first day of Mr Honecker's visit including all the speeches. Viewers in both East and West Germany and in both parts of divided Berlin could watch virtually the same coverage of the visit on both East and West German TV channels.

"Seeing the two German flags next to each other at the official welcoming ceremony was extremely emotional for us," one East Berliner noted.

The unusual burst of objectivity in the otherwise highly selective East German media is, however, unlikely to survive much longer than Mr Honecker's visit to West Germany. On similar occasions, during the visit in 1970 of then Chancellor Willy Brandt to Erfurt East Germany and the return visit to Kassel by East Germany's Prime Minister, Willi Stoph, East Germany also departed briefly from its strict media censorship.

Then, as now, the East German authorities endeavoured to show that they scrupulously adhere to "international practice" by fully reporting speeches at official East-West meetings no matter how critical the Western remarks may be.

Italian economic package falls short of OECD hopes

BY IAN DAVIDSON IN PARIS

THE EMERGENCY package of economic measures, introduced by the new Italian Government at the end of last month, goes some way to meet the general sense of the latest report on Italy by the Organisation for Economic Co-operation and Development, that corrective action is required. But the precise measures adopted fall significantly short of the urgings of the OECD, most notably in their failure to cut back on the spending site of the government deficit.

The OECD commends the performance of the Italian economy in a number of respects: its growth rate has been among the highest in the OECD area, the rate of inflation has fallen substantially (from 14 per cent three years ago to 4.25 per cent at the end of last year), the current balance of payments was in surplus in 1986, and the general government borrowing requirement was reduced slightly at the end of last year to 11.3 per cent of GDP.

These favourable indices are qaulified by the OECD in a number of important respects, however. The upturn in growth has led to increased employment but not enough to stem the rise in unemployment, which reached 11 per cent of the labour force, with much higher rates in some categories: 36 per cent among the under 30s in the Mezzogiorno, for example.

Italian Economic Outlook

Percentage change from previous period at annual rate

	1986	1987	1988
Demand and output (volume)			
Private consumption	3.2	3¼	3
Public consumption	3.0	3	1¾
Gross fixed investment	1.2	2¼	3¼
Machinery and equipment	3.1	4	4
Construction	−0.7	1½	2¼
Final domestic demand	2.7	3½	2¾
Change in stockbuilding†	0.6	1	½
Total domestic demand	3.2	4¼	3
Exports of goods and services	3.1	2	3¾
Imports of goods and services	5.1	6½	5¼
Foreign balance†	−0.5	−1½	−¼
GDP at market prices	2.7	3¼	2½
Industrial production	2.7	2½	2½
Prices			
GDP price deflator	8.0	6	4½
Consumer prices	6.2	4¾	4¼

† As percentage of GDP from the previous period

Source: OECD Secretariat estimates and forecasts

Second, the reduction in the rate of inflation still leaves Italy with a higher inflation rate than those of its main trading partners, which over time could be an important factor of pressure on the lira. Moreover, the strengthening of the balance of payments remains fragile, because it was mainly attributable to terms of trade improvements deriving from lower oil and commodity prices and a depreciation in the dollar.

Finally, the report underlines that the reduction in the government deficit/GDP ratio was mainly attributable to the fall in oil prices, and that despite that fall in this ratio, the volume of public debt is more than 88 per cent of GDP and is continuing to grow faster than GDP.

The OECD report was drafted well before the latest Italian government economic package, but it specifically warns against the two main ingredients of that package, an increase in taxation and an increase in interest rates.

"The fears expressed in last year's report, that the increase in oil tax receipts might delay the process of reducing government expenditure have partly materialised . . . There is a danger that efforts to restore budget equilibrium may again involve increasing receipts rather than reducing expenditure . . .

"The objective of the Government's medium-term fiscal programme is to eliminate the deficit by 1990. This would require that the deficit/GDP ratio continue to fall by an average of 1.5 points a year. But even if this objective were achieved, it would not stop the debt/GDP ratio from rising as long as nominal effective interest rates remain higher than the rate of nominal GDP growth. . . Unless (the authorities) are successful in stabilising or even reducing this ratio, the medium-term objectives of stable money supply growth, reduced tax pressure and brisk investment growth will be difficult to achieve."

Moreover, the OECD forecasts that Italy's economic problems may be made worse by the liberalisation of the foreign exchange markets.

"The prospect of European financial integration in 1992, and the increased mobility of capital that will ensue, make it more than ever necessary for Italy to narrow its inflation differential with its partners in the EMS, and also its public deficit.

"Failing this, the only way for Italy to limit the risks of exchange market speculation against the lira would be either to persist with high real interest rates, or to relax its exchange rate policy. Because of the public debt size, there would be a high cost attaching to the first solution, while the second would certainly rekindle inflationary expectations and could well have the effect of slowing the restructuring of the economy.

"Solving these difficulties will involve implementing a medium-term economic policy strategy. This latter must be based on the political determination to control public spending with the object of stabilising or even reducing the debt/GDP ratio."

Labour corps plan sparks political row in Malta

BY GODFREY GRIMA IN VALLETTA

MALTA'S GOVERNMENT of Dr Eddie Fenech Adami yesterday appeared to be heading swiftly towards its first political standoff with Dr Carmelo Mifsud Bonnici's opposition Labour over a controversial employment policy rushed through parliament.

The dispute hinges mostly on opposing interpretations of a proposed workers' auxiliary corps.

At a meeting with trade union leaders and heads of government organisations the Prime Minister on Monday denied opposition charges that the Government planned to sack thousands of workers hired by the previous administration shortly before last May's general election.

The proposed workers auxiliary scheme aims to absorb the excess manpower at parastatal and state controlled commercial organisations. the Prime Minister said. Changes made in the island's employment laws do not empower the Government to fire employees, he insisted.

However, Dr Mifsud Bonnici later said his party and its affiliate, the 30,000-strong General Workers Union, were not convinced and demanded concrete proof that those employed by the previous government to reduce unemployment would not be fired or offered inferior wage and working conditions.

A joint opposition and GWU committee has been set up to plan a series of protests which might include calling on supporters not to pay water, electricity and telephone bills.

Pravda accuses US on attitude to glasnost

THE SOVIET newspaper Pravda yesterday accused the US of seeking to hide developments in the Soviet Union from the American public behind an "iron curtain" of silence, Reuter reports from Moscow.

In a strongly-worded commentary, Pravda said US efforts to distort the Soviet stand on issues including arms control and human rights were increasing on the eve of high-level US Soviet talks in Washington.

Giving a new context to former UK Prime Minister Winston Churchill's use of the phrase "iron curtain" to describe the Soviet-imposed isolation of Eastern Europe at the beginning of the Cold War, Pravda said:

"The contemporary heralds of an anti-Soviet crusade are now pulling down such a curtain over the United States."

It said Western journalists had greater access to Soviet officials under the glasnost ("openess") campaign of Mr Mikhail Gorbachev, the Soviet leader.

"But the more news about major steps in Soviet domestic and foreign policy coming through this channel, the less information reaches the US public," it said.

"Seeking to distort and discredit new, beneficial processes in Soviet society, American propaganda has begun a futile search for 'the limits of glasnost'."

Pravda poured scorn on President Ronald Reagan's August 28 call on the Soviet Union to show glasnost in its military affairs, saying Moscow had made clear its position at an international conference in New York the previous day.

Referring to talks in Washington next week between Mr Eduard Shevardnadze, the Soviet Foreign Minister and Mr George Shultz, US Secretary of State, it said anti-Soviet campaigning was increasing ahead of the meeting.

Yugoslav PM breaks silence

BY ALEKSANDAR LEBL IN BELGRADE

THE AGROKOMERC scandal cannot be defended, Mr Branko Mikulic, the Yugoslav Prime Minister, said in an interview with the Tanjug news agency released yesterday.

Agrokomerc, under the leadership of Mr Fikret Abdic, had financed its many agricultural and industrial projects by issuing promissory notes to a value of 220bn Dinars (£181m) which it has no possibility of repaying.

Yugoslavs have been waiting for some weeks for Mr Mikulic to speak up about the case. A number of politicians, particularly from Bosnia, have been found to be involved in the case.

The Federal Government as a collective body had condemned the scandal earlier but Mr Mikulic had kept silent until yesterday. The Prime Minister would not confirm or deny any knowledge of what had been going on in Agrokomerc. He confirmed what has been public knowledge, that others have not the same thing as that company. He also confirmed that public prosecutors, courts, banks, the public auditing service and other institutions had been influenced by local authorities and individuals and had not enforced the law and other regulations.

What had happened, he added,sho uld show Yugoslavs that in the future breaking the law, appropriating other people's income and failures in development and investment policy would not be tolerated. "We are passing a big test and finishing a big school in the case of Agrokomerc. Unfortunately, the tuition and examination fee is very high in every respect," he said.

He promised to change and tighten legislation where necessary and impose strict legal and financial discipline.

Mr Mikulic was uncommittal about the future Agrokomerc and its 13,000 employed, saying only that any solution must be within the law and existing policies.

Romanian export drive

BY JUDY DEMPSEY IN VIENNA

ROMANIA must give priority to exports and export production, and any shortfalls in these areas must be overcome, President Nicolae Ceausescu said at a meeting of the Communist Party's executive political committee last week.

The drive to increase exports is part of the Romanian authorities' economic strategy to reduce its hard currency debt, estimated at $5.8bn at the end of last year, half the level of 1981.

Mr Ceausescu's speech was made a day after he had held a working meeting with officials in the agricultural sector in which he said the cereal crop was below the 1987 plan, but was 25 per cent higher than last year's harvest, which totalled over 30m tonnes.

He told officials that "the people's fine supply of food would be secured," in spite of his subsequent calls for higher exports. Romanians have faced severe food shortages over the past few years.

Meanwhile, during a session of the state council Mr Mihail Moraru, the Minister of Heavy Equipment, and Mr Richard Winter, the Minister for Wood Industry and Construction Materials, were replaced "on health grounds."

The council also merged the ministries for chemical industry and petrochemicals, "for improved co-ordination" and set up new ministries for mines, oil and a central department for geology.

Demirel takes over party

By David Barchard in Ankara

MR HUSAMETTIN CINDORUK, the chairman of the True Path Party, Turkey's third largest, resigned yesterday to make way for Mr Suleyman Demirel, the former prime minister, to become party leader.

Mr Demirel led the Justice Party from 1965 until 1981 when it was closed down by the military.

Leaders of Turkey's two social democratic parties, yesterday each appealed to the other to unite under its own banner. Mr Bulent Ecevit, the former prime minister, and Prof Erdal Inonu, the opposition leader, issued simultaneous but apparently irreconcilable calls to each other.

Bonn policy seen as key to Schmidt release

THE RELEASE of Mr Alfred Schmidt, the West German hostage, after Syrian and Iranian intervention vindicates West Germany's softly-softly policy towards Damascus and Tehran but must have been won with concessions, diplomats said yesterday, Reuter reports from Bonn.

As Mr Schmidt, 47, returned to West Germany eight months after he was abducted in Beirut, Bonn thanked Iran and Syria for their help and urged them to do all they could to free a second hostage, Mr Rudolf Cordes, 53.

West Germany has trodden carefully with the two powerful Middle Eastern countries while most of its Western allies have seen their relations – and influence there – plummet.

Throughout the crisis, Bonn has publicly ruled out any deal with the kidnappers but lobbied Iran and Syria behind the scenes.

"The Germans understand very well that you can't do anything in Lebanon without the Syrians," said one diplomat from a neutral country who spent several years in the area.

"The Syrians have a lot of clout with the various factions in Beirut. Iran less so, but it still plays a role," he added.

West German officials are saying nothing for fear of jeopardising Mr Cordes' release. There has been no sign of him for several months although the group claiming to hold him have said he could soon be free.

Twenty-seven foreigners kidnapped in Beirut are still being held, among them nine Americans, seven French people, three Britons and three Iranians.

Mr Schmidt, a technician for the electronics firm Siemens, and Mr Cordes, Lebanon manager for the Hoechst chemical company, were seized days after police in Frankfurt arrested a Lebanese terrorist suspect, Mr Mohamed Ali Hamadei.

Mr Hamadei was accused of complicity in the 1985 hijacking to Beirut of a US airliner, in which an American was shot in the head and his body thrown on to the airport tarmac.

Most experts believe the group, the Freedom Strugglers, are linked to the Iranian-backed Hizbollah (Party of God) and led by one of Hamadei's brothers, Mr Abdel Hadi.

The kidnappers have demanded Mr Hamadei's release. Bonn refused to extradite him to stand trial in the US, charging him with murder and air piracy.

West Germany is holding another Hamadei brother, Mr Ali Abbas, arrested in Frankfurt in January and charged with involvement in the abductions of Mr Schmidt and Mr Cordes. Ali Abbas is a naturalised West German.

Both the government and Siemens denied reports yesterday that a ransom was paid to secure Mr Schmidt's release. Bonn insists that it was unconditional.

Many diplomats and commentators, however, doubt this.

"They must have given something," one Western diplomat said. "If they really didn't budge, then German policy will really have been vindicated. If it promised further improvement in relations with Syria, then that's understandable.

"But if a ransom has been paid by Schmidt's firm with the connivance of the Government, or, worse still, by the Government itself, then it's a policy of capitulation," he added.

One diplomat suggested Bonn might have promised to resume development aid for Syria, allowing the sale of new technology and granting of new credits.

The aid freeze was one of several steps taken as a gesture of solidarity with Britain which alleged that Syria's embassy in London was organising terrorist acts.

Earlier this year, West Germany sent a new ambassador to Damascus and unblocked other trade deals as relations between the countries improved.

West Germany also has good relations with Iran at a time when the US and France have severed links and Britain has cut its ties to the minimum.

But diplomats and commentators doubt whether Bonn could yield concessions on the Hamadeis – even if it wanted to.

"The Americans would be furious if the Germans pardoned Hamadei or gave him a lenient sentence," one diplomat said.

Iceland agrees to talks with US over bitter whaling dispute

ICELAND yesterday said it would agree to a request from President Ronald Reagan of the US for a high-level meeting to try to defuse a bitter whaling dispute threatening to damage relations between the two Nato allies, Reuter reports from Reykjavik.

"The row has reached a very serious stage," Mr Steingrimur Hermansson, the Foreign Minister said. The Government had agreed to a suggestion from Mr Reagan that senior US and Icelandic officials meet quickly to solve the problem.

"A nation that compels us to do what we don't want to do can hardly be a friendly nation," Mr Hermannson said on television on Monday, referring to the US.

The dispute concerns Iceland's September 1 decision to resume whale-hunting for scientific purposes in defiance of official US warnings that the move could lead to trade sanctions.

The sanctions threat has soured relations with Washington and encouraged anti-Americanism in this island of 240,000 people that plays a key role in Western defence.

Iceland, the only unarmed member of Nato, relies solely on 3,000 US servicemen stationed at the Keflavik base to provide its defence. The base is located at the heart of Nato's system for monitoring Soviet submarine movements in the North Atlantic.

Mr Hermansson recently said he favoured limiting building work at the Keflavik base, as had been the case under leftist governments in the 1970s and early 1980s. New work began only when a centre-right coalition took power in 1983.

The Foreign Minister said Iceland had received a letter from Mr Reagan suggesting a meeting, but declined to give details. Iceland had replied that it wanted to meet the Americans in an unnamed third country – a highly unusual move.

Mr Hermansson said he expected to meet Mr George Shultz, the US Secretary of State, or a senior aide today or Thursday.

US officials warned Iceland earlier this summer that it faced being certified by the US Department of Commerce as a nation violating international whale conservation efforts if the islanders went ahead with their whaling rogramme.

If this happened, Mr Reagan would be forced to impose trade sanctions against Iceland. Diplomatic sources said both the US State Department and the Pentagon were lobbying to avoid Iceland being certified by the Commerce Department.

Iceland says its whaling programme is purely scientific and aims to prove that whales are not in danger of extinction – contrary to what conservationists say.

When Iceland announced the resumption of whale hunting on September 1 the Government set the catch at 20 whales – half the original quota – in an apparent bid to appease US opposition.

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OVERSEAS NEWS

Botha says all sides felt gain from swap deal

BY ANTHONY ROBINSON IN JOHANNESBURG

MR PIK BOTHA, the South African Foreign Minister, and Gen Magnus Malan, the Defence Minister, bathed in the reflected glory from Monday night's successful four-way prisoner swap at Maputo Airport as the Cape Town parliament yesterday debated the foreign affairs budget.

President P.W. Botha, credited by the Foreign Minister as the man who authorised the no-holds-barred attempt to secure the release from Angola of the captured South African commando officer, Major Wynand Du Toit also assured recognition of his role by meeting the reunited Du Toit family before the state-run television cameras.

In the parliamentary debate, the Foreign Minister said the swap succeeded because all parties had felt they gained by the arrangement.

Major Du Toit was freed in return for the release of 133 Angolan soldiers captured by the rebel Unita movement; Mr Klaas de Jonge, a Dutchman alleged to have supplied guns to the outlawed African National Congress (ANC), and Mr Pierre Andre Albertini, a French national jailed by Ciskei for refusing *to testify in a "terrorist" trial.*

He said the swap had wider domestic and regional significance because it showed that agreements could be reached provided there was "a balance of interests".

South Africa was "big enough to work out a package from which everyone involved feels they gain. But we can't negotiate with those who are not interested in sharing power and only want to take over power."

He rejected the suggestion by Mr Colin Eglin, leader of the Liberal Progressive Federal Party (PFP) of a linkage between the freeing of the prisoners and a possible release within South Africa of security prisoners, such as Mr Nelson Mandela, the jailed ANC leader.

Despite President Botha's earlier linkage between their release and that of Major Du Toit and two Soviet dissidents Pretoria now insists that the release of ANC and other security prisoners will be dictated by security and general political considerations as well as humanitarian grounds.

Gen Malan welcomed the release of Major Du Toit and the successful outcome to the negotiations, which involved five governments and Unita but warned that past exchanges had not altered "the basic realities".

These included "the massive Soviet build-up of arms in our region which far exceeds the need to fight civil wars".

Moscow tells Iran war should end quickly

THE SOVIET Foreign Minister, Mr Eduard Shevardnadze, yesterday told a senior visiting Iranian official that Moscow believed the Gulf war should end as soon as possible, Reuter reports from Moscow.

Mr Gennady Gerasimov, the Soviet spokesman on foreign affairs, said Mr Shevardnadze had made the point to Mr Mohammad Larijani, Iran's Deputy Foreign Minister, who arrived in Moscow on Monday to discuss the Gulf war.

"The Soviet side stressed the urgent need for the speediest end to the Iran-Iraq war," Mr Gerasimov said. "We are for a just settlement of the Iran-Iraq conflict by political means on the basis of United Nations Security Council resolution 598." The resolution, passed in July, calls for an immediate ceasefire in the seven-year-old war.

Mr Gerasimov said Moscow believed much would depend on a visit that Iran has proposed Mr Javier Perez de Cuellar, the UN Secretary-General, should make to Tehran.

The Soviet Union is officially neutral in the Gulf war but supplies arms to Iraq. The Kremlin has sought, however, to make contacts with Iran in the past year and Mr Larijani's visit to Moscow is his second in two months.

Mr Gerasimov said an Arab League delegation including its Secretary-General, Mr Chedli Klibi, was due to arrive in Moscow.

Yesterday Sheikh Sabah al-Ahmed al-Sabah, the Kuwaiti Foreign Minister left for Moscow after holding talks with King Hussein of Jordan on the Iran-Iraq war. The King is understood to have reaffirmed Jordan's support for Kuwait against threats from Iran.

● Iran said yesterday a sixth Iranian diplomat and his family had been ordered to leave Kuwait amid rising tensions between the Arab state and the Islamic republic.

Hong Kong court renews ban on Spycatcher

BY DAVID DODWELL IN HONG KONG

HONG KONG'S appeal court yesterday restored an injunction banning the Sunday Morning Post, the Territory's leading English language Sunday newspaper, from publishing extracts from Mr Peter Wright's controversial book Spycatcher.

However, Mr John Dux, the Sunday Post's editor, said after consultation with lawyers that the newspaper would be seeking leave to appeal to the Privy Council in London. The Court of Appeal will decide in about a week whether this will be allowed.

The appeal judges' *two-to-one* majority in favour of restoring the injunction comes two weeks after Mr Justice Barnett ruled in the Hong Kong High Court that a British Law Lords decision that newspapers could not publish extracts from the book "could not be applied to Hong Kong."

Kwangju welcomes favourite son Kim

By Maggie Ford in Kwangju

MR KIM DAE JUNG, the South Korean opposition politician, was yesterday left in no doubt by the people of his home province that he was their favourite son and their preferred candidate for president.

More than 250,000 people jammed the city of Kwangju to welcome Mr Kim on his first visit for 15 years. His motorcade was almost physically submerged by the emotional crowd, singing, dancing and cheering for their leader.

In front of the provincial government headquarters, symbol of the suppression of Kwangju citizens, who rose in *rebellion against the military* government of President Chun Doo Hwan in 1980, Mr Kim said that the spirit of that suffering was behind the drive for democracy in South Korea.

Observers believe that should Mr Kim stand as a presidential candidate in the election due in December and win, the result could be overturned by military intervention. But Mr Kim pledged that "dictatorship cannot be forgiven, but dictators can."

He said that when he was sentenced to death by the Chun government for alleged sedition related to the uprising he had felt that no retaliation should take place.

Mr Kim was last night seeking the opinion of provincial community leaders about his future. Church and political activists are understood to be divided about whether he or Mr Kim Young Sam, his rival, should be the opposition presidential candidate.

Underlining attempts to show unity in the opposition Mr Kim was accompanied on his trip by the vice president of the opposition party who is a supporter of Mr Kim Young Sam.

In a sign of ruling party efforts to push towards democratic change, few police were deployed in Kwangju yesterday, in startling contrast to last May when public commemorations of the anniversary of the uprising were blanketed in teargas. After a day of triumph Mr Kim is to continue his tour to an offshore island where he was born where the welcome from villagers is expected to be even more fervent.

Singapore ban on Economist correspondent

By Roger Matthews in Singapore

THE Economist newspaper has become the latest foreign publication to fall foul of the Singapore government.

Mr John Andrews, the newspaper's South East Asia correspondent who is based in Singapore, has been told that he has been banned from access to any government official.

Mr Andrews was informed that the decision, apparently by the Cabinet, was in reaction to an article published in the Economist's confidential newsletter, Foreign Report.

The article discussed government thinking behind recent arrests of alleged Marxists in Singapore.

Mr Andrews said yesterday: "I think the government has misread the article."

Joan Wucher King reports on recent successes for President Habre in Chad conflict

Satisfying view of the war from N'Djamena

COLONEL Muammar Gaddafi of Libya has watched his troops suffer a series of military setbacks in Chad since January and last weekend suffered the indignity of an invasion by the *poorly-equipped and smaller* Chadian army.

These Libyan reverses have brought Tripoli into conflict with France, which on Monday shot down a Libyan Tupolev 22 bomber on a raid over Chad's capital, N'Djamena.

The Chad government has claimed that its forces killed over 1,700 Libyan troops and captured another 312 soldiers, including 3 East European advisers when *its* troops launched the weekend attack on the Libyan airbase at Maatan al-Sarra.

Twenty-two Libyan aircraft were also destroyed during the attack on the base, including 3 Soviet MiG 23s, 1 Mig 24 combat helicopter, and 4 French Mirages, it claimed. Destruction of these aircraft was one of the prime objectives of the Chadian strike on the base, which aimed to hamper *Libya's capacity to* mount deep penetration bombing raids into Chad.

If the figures given by the Chad government are correct, the base at Maatan al-Sarra has been completely disabled. Chadian troops have now withdrawn south of the border.

The view from N'Djamena must be satisfying. Chad's President Hissene Habre has succeeded in ridding his country of Libyan troops and challenging their control of the Aouzou Strip which borders Libya on the north. In addition his domestic political opposition has fallen away and he is slowly *gaining US support to replace* what has increasingly been seen as an ambivalent French attitude towards his military adventuring against Libya.

France remains committed to President Habre's defence but has repeatedly made clear both internationally and to the president that it will not back his attempts to retake Aouzou, which Chad held for a short while last month.

It is also equivocal about military involvement north of the 16th parallel, the de facto no-go area established by France and Libya in 1984. That agreement left Libyan forces in northern Chad until their expulsion earlier this year.

Washington has been sending conflicting signals about its attitdues towards the Chad conflict. Over the weekend, a State Department spokesman said the US viewed Chad as France's responsibility. However, *President Habre was* accorded a warm welcome during his trip to Washington last June. President Ronald Reagan promised to secure a \$50m arms package for N'Djamena, and his administration last week sent two planeloads of weapons to Chad.

There were reports this week that the US *was considering* sending Stinger anti-aircraft missiles to Chad. Chad's main military weakness with regard to the Libyans has been its lack of air cover and the absence of an independent air defence system. The French-operated Sparrowhawk system was responsible for the downing of the Libyan jet on Monday.

Chad has no attack aircraft of its own, and has fought the war so far with a mix of adapted Toyota land cruisers and a well-trained, highly flexible land force.

The air shipment last week *from the US to Chad was a big* one. The C-5 and three C-141 cargo aircraft used could, according to Mr Donald Kerr of the Institute of Strategic Studies, move a lot of small arms and ammunition and possibly some substantial items as well.

When President Habre visited Paris three weeks before his forces invaded Aouzou in August, he was told the French would prefer that the status of the strip be placed before international arbitration rather than settled by force of arms. The fact that he chose the latter course suggests the Chadian president thinks he might at least enjoy US support in his military efforts against Libya.

The arms supplies which reached N'Djamena from the US last week suggest this is the case. The involvement of the US, even in a supporting role, has greatly complicated France's defensive posture in Chad. Committed to the defence of the capital and the government, France finds itself in the firing line between a Libya determined to regain, at the least, its position in *northern Chad and Chad's* determination to hold all territory up to the Libyan border.

Vital to President Habre's success is the relatively quiescent state of the opposition in Chad. His main opponent, Chad's former President Goukouni Oueddei, broke with Libya last autumn and is in exile in Algiers. Mr Oueddei has criticised President Habre's actions in the Aouzou Strip, arguing that he should concentrate on the vital task of rebuilding Chad's national consensus.

There have been reports that Mr Oueddei has been in *contact* with Libya, and if this breach is repaired, both Chad and France might face a radically different military situation in the north of the country.

France has already moved some of its aircraft closer to the 16th parallel so that it can better intercept Libyan jets headed for the Chadian capital. This will also enable France to respond more promptly to Libyan air attacks on Chadian military positions further north. In spite of its ambivalence *about President Habre's* recent military actions, France's hand is being to some extent forced by his unilateral actions.

There is no doubt Washington is delighted with the turn of events in the region. Colonel Gaddafi is high on its list of unpopular rulers. An embarrassingly poor military performance which keeps him tied to his own borders aids Washington's efforts to keep the Colonel isolated and on the defensive.

Washington was never entirely satisfied with the 1984 agreement between France and Libya, mainly because it failed *to get Libyan troops out of a* country which shares a common border with Sudan. It tended to see the Libyans as responsible for the internal disturbances in Sudan which preceded the coup there in April.

With northern Chad cleared of Libyan troops, and President Habre's forces challenging their *position* in the border regions, Washington has achieved a policy of containment.

France, however, will face a new challenge to its military position in Libya should the colonel elect to press back into Chad in the same way that nearly brought him victory in 1983.

Japanese growth 'set to reach 3% this year'

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

JAPAN'S ECONOMY has at last begun to move in a positive and sustainable direction but "relentless efforts" would be needed over the medium term to cut the huge trade surplus, one of the country's leading economists said.

Mr Isamu Miyazaki, chairman of Daiwa Securities Research Institute, said the immediate prospects for the economy appeared relatively bright. The pace of growth had picked up and was likely to reach 3 per cent *in the current year, while* the country's trade surplus was expected to fall by \$10bn.

But in a speech at a Daiwa conference in London he said that this improved performance did not hold out automatically the prospect of a sustained reduction in the trade imbalances between Japan and the US.

Mr Miyazaki, a former senior Finance Ministry official and a *co-author of the Mayekawa* report on structural reform of the Japanese economy, said the economy was not yet on a path of "autonomous" growth. "A solution to the (trade) problem has just begun to emerge but sustained efforts will be crucial," he said.

To ensure the process continued, the Tokyo government needed to adopt two clear strategies: to maintain support *for domestic demand in the* economy through an expansionary fiscal stance and to ensure a much greater proportion of the benefits flowing from the Yen's appreciation were passed on to consumers.

Such a transfer of resources from the external to the domestic sector of the economy would help correct the "visibly inferior" standards of living in Japan relative to that of its *Western allies.*

The focus of a more expansionary fiscal policy should be on improving the country's infrastructure and housing, while rationalisation of the distribution system and less government intervention in commodity markets would ensure that consumers benefitted more from a higher Yen.

WORLD TRADE NEWS

China to reduce foreign role in nuclear power

BY ROBERT THOMSON IN PEKING

CHINESE leaders have emphasised that foreign involvement in the country's nuclear power programme will be kept to a minimum, and implied that expectations for the programme in the next decade have been further lowered.

Premier Zhao Ziyang told officials of the International Atomic Energy Agency attending the Pacific Basin nuclear conference in Peking this week that "we will not construct many nuclear power plants, but we should build some in a planned way."

Until last year, the government had planned to complete 10 nuclear power stations by the end of the century, and foreign companies had estimated that their sales could be worth $20bn. Chinese officials then said early last year that "a few" power stations would be built.

The comments by Premier Zhao suggest that the two plants presently under construction, one at Daya Bay in the south and another at Qinshan, on the central coast, are the only projects certain to be completed this century.

A third plant, in Sunan, near Shanghai, has been under consideration, but Chinese officials in the region now say that the project is on hold indefinitely.

The West German supplier, Kraftwerk Union, had appeared last year close to signing a contract to provide two 1,000 Mw reactors, while Framatome of France thought it had won agreement to supply the same plant in 1979.

Diplomats say the Chinese intend to perfect their own technology instead of relying on expensive imported equipment.

The only large foreign sales so far have been by Framatone and Britain's GEC for the $4bn Daya Bay plant, while Qinshan is obviously seen as a testing ground for Chinese technology—it was first approved in 1970 and, ambitiously, is expected to be finished late next year.

Money, more than safety, appears to be the problem for Chinese leaders. Premier Zhao likened popular concern about the potential dangers of nuclear plants to the fear of leprosy: "actually, leprosy brings about less harmul effects than other epidemics."

And one of China's vice-premiers, Li Peng, known to be a strong supporter of an expanded nuclear programme, told conference that "the development and peaceful use of nuclear energy represents a human triumph over nature, and a milestone in the progress of human civilisation."

Tudor wins A$310m Australian contract

BY SARA WEBB IN STOCKHOLM

TUDOR, the Swedish battery manufacturer, has won a A$310m contract to develop and supply batteries for the Australian Navy's new submarines.

The Australian government awarded a A$3.9bn order for six new submarines in May to the Australian Submarine Corporation, an international consortium led by Kockums Marine of Sweden and including Wormald International, a diversified Australian engineering group.

The Navy's submarine contract is part of an ambitious A$8bn warship building programme. The first of the six Kockums Marine Type 471 submarines is scheduled for delivery in 1994, and the project is due for completion early next century.

Mr Kim Beazley, the Australian Defence Minister, said that the initial contract for the development and supply of six new submarine batteries would be worth A$60m, and that further orders for replacement batteries during the operational lifespan of the submarines would amount to A$250m.

Tudor has agreed to set up a joint venture with Wormald International to start producing the batteries in Australia

De Clercq hails EC progress on Tokyo trade

By Ian Rodger in Tokyo

MR WILLY DE CLERCQ, the EC Commissioner responsible for external relations and trade policy, told Japanese leaders in Tokyo yesterday that he was "delighted" with the recent decline in the growth of the EC trade deficit with Japan.

The remark was in sharp contrast with many strongly worded complaints made by EC officials in the past year, including by Mr de Clercq himself, about the size of the EC's trade deficit with Japan.

Mr de Clercq said he had received a positive response from the Japanese authorities to an EC proposal that EC-based banks be offered low-cost yen funds in the domestic market so that they can provide import finance to European exporters on attractive terms.

He met with Mr Yasuhiro Nakasone, the Japanese Prime Minister, and Japanese officials on the first day of a week-long visit.

He told them that trade statistics for the first seven months of this year showed a slowing of the growth rate of Japan's surplus with the EC. Japan's imports from the EC grew at a 10 per cent rate during this period, against a 5.7 per cent rise in EC imports from Japan.

"I am delighted at this change for it demonstrates a renewed dynamism among European corporations to penetrate the Japanese market."

EC officials said Mr Nakasone told Mr de Clerq that Japan was determined to remedy the current trade imbalance with the EC. It also wanted its trade to be less oriented towards the US.

As for the issue of import finance, European and other foreign banks have complained they have difficulty competing in the Japanese market because they do not have access to low fixed rate savings deposits that the Japanese banks have.

Also, there is no effective inter-bank market. Thus, according to EC officials, foreign banks are not as active in helping European manufacturers export to Japan as they might be.

John Wyles, recently in Arezzo, on difficult times for entrepreneurs in eastern Tuscany

Italy's gold industry loses some of its shine

ALL THAT glistens may not be gold, but Arezzo in eastern Tuscany does and is.

The approach road from the A1, Italy's main north-south autostrada, is lined with shimmering evidence of recent new investment in light engineering, while its many sleek and attractive shops complement the gilded treasures of its museums and 13th century cathedral.

For more than seven centuries, much of the town's prosperity has flowed from a marriage between its natives' talents and that most alluring of all metals, gold. Arezzo houses the world's largest goldsmithery, Uno-A-Erre, and, on the most recent count, no fewer than 622 companies employing 6,200 people are involved in the transformation of gold into jewellery and other artefacts.

The figures speak for themselves about the size of the average operation, but they understate the proportion of the 91,000-strong population which is involved in the gold industry because up to 5,000 others are outworkers, assembling jewellery products in their homes.

Italy as a whole works about 20 per cent (220 tonnes a year) of all the gold used for goldsmithery in the western world and accounts for around 62 per cent of European production. Within that framework, Arezzo companies are responsible for about 8 per cent of the world's goldsmithery activity and around 60 per cent of their products are destined for export.

ITALIAN EXPORTS OF GOLD AND JEWELLERY JAN-MAY

1987 and percentage change over Jan-May 1986

	Lire (bn)	%
Total	1,204,519	−14
US	424,513	−26
Saudi Arabia	125,872	−31
Kuwait	25,483	−54
UAE	41,417	−17
Switzerland	84,061	−8
UK	58,224	+11
W. Germany	68,993	+27
Japan	58,201	+63
Hong Kong	38,278	+45
France	25,875	−11

Source: Italian Goldsmiths Club and Istat

The business has become much more cyclical in the 15 years since the dollar ceased to be fully convertible into gold. Among other things, the volatility in the metal's own price and the equal, and frequently parallel, instability of the dollar has put a premium on the management of gold stocks.

The strength of the dollar also crucially influences demand in the US which is a key market for all Italian jewellery producers. The impact of the dollar's slide over the past 18 months has pasted worried frowns on the faces of some of the Aretini entrepreneurs who were strolling around the town's eighth annual gold and silver jewellery exhibition last weekend.

Mr Giovanni Barbagli, a member of the European Parliament and president of Arezzo's business and promotions centre which mounted the exhibition, said: "We are going through a difficult time." According to a recent survey by the town's chamber of commerce, turnover in the gold and jewellery sector has fallen by 7.5 per cent in the first half of this year after total sales last year of more than L2,000bn (£1.07bn).

Between the first and the second quarters, exports had fallen from 62 per cent to 58 per cent of sales and the 39 of Arezzo's largest companies surveyed were expecting a 2.6 per cent drop in output, a further 1.2 per cent fall in exports and a 0.4 per cent reduction in employment.

Nevertheless, as Mr Lucio Bonauguri, president of Arezzo export association pointed out, the local producers were suffering less than their counterparts in Vincenza, Florence and Milan. Total Italian exports of gold and jewellery in the first five months of the year were about 14 per cent down on the same period of 1986. In the year as a whole, exports were about L3,500bn, 16 per cent down on 1985.

In the first five months shipments to the US fell 26 per cent to L424.52bn, equivalent to 35

per cent of all Italian gold and jewellery exports. Slumping demand from the US has coincided with falling purchases in the Middle East, in particular Saudi Arabia (−31 per cent), Kuwait (−54 per cent) and the United Arab Emirates (−17 per cent).

These are all substantial markets taking about 16 per cent of Italian exports. Unfortunately, encouraging increases in shipments to Japan (+63 per cent) and Hong Kong (+45 per cent), coupled with an 8 per cent rise in domestic Italian retail sales, have not been of sufficient volumes to compensate fully for such declines.

However, first indications from the exhibition last weekend suggest that importers from the US are ordering sufficient quantities for the Christmas and New Year periods to halt the slide in sales to that country.

Nevertheless, Mr Rolando Vannucci, president of the Arezzo goldsmiths, says that the Italian industry as a whole is beginning to notice growing competition from Far Eastern producers, notably in Japan and Hong Kong. He believes that the Aretini are maintaining a lead in the development and application of new technology but that further improvements are necessary in Italy's marketing effort.

This seems to need closer cooperation and collaboration between the regional consortia of producers so as to come up with a less fragmented and more coherent national sales effort.

The industry's current state of mind is also troubled by the activities of producers operating in the country's notorious black economy. Mr Marco Ungarelli, the director general of Uno-A-Erre, started a fierce debate by claiming last Friday that their output was the equivalent of 85 per cent of the industry's officially recorded turnover.

Defending his colleague, Mr Vittorio Gori, the company's president, was quoted as citing in evidence figures produced by Consolidated Gold Fields which suggest that clandestine gold imports into Italy are running at between 40m and 60m tonnes.

US Lines container vessel sold for below scrap price

BY DAVID DODWELL IN HONG KONG

THE GIANT container ship American California — which has been under arrest in Hong Kong since December last year shortly after the collapse of its owner, US Lines — was sold by public auction yesterday. A consortium of US Lines bank creditors bought the ship for a below-scrap price of HK$35.2m.

The same consortium, called Econ Associates Limited Partnership, five weeks ago acquired three other US Lines container vessels at a public auction in Singapore. They then paid even less per ship—about S$3m.

Shipping brokers in Hong Kong emphasised the paltry price paid was not a reflection of depressed market conditions. They noted that special circumstances had dogged the bid price for the American California, and that ship prices were currently almost double those being offered a year ago, with freight rates about 40 per cent higher.

Yesterday's auction took just 12 minutes. After the auctioneer's abortive attempt to attract a starting bid of HK$40m—a level he described as the current scrap price in Taiwan—an initial offer of HK$25m was made. Just two bidders took the price up to the concluding level of HK$35.2m.

The American California was one of 12 giant container vessels arrested when US Lines floundered. The eight not auctioned so far are under arrest in US waters, and are unlikely to be put up for sale in the near future.

Each vessel can carry 4,000 20 ft containers—more than any other container vessel afloat. The fleet was part of a grand design to provide a global eastbound container service, but floundered partly because it could not attract enough cargo to stay portable, and partly because it was too slow.

Dogging yesterday's sale was the fact that the American California still flies the American flag, adding greatly to operating costs.

Chrysler to offer US-style car warranties in Europe

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN FRANKFURT

CHRYSLER, the third largest US automotive group, is to introduce American-style car warranties when it relaunches in Europe next March.

Mr Lee Iacocca, the Chairman, revealed during the run up to the Frankfurt Motor Show, that Chrysler will offer three-year or 110,000-kilometre warranty cover for the complete car. Only such items as tyres, filters and brake pads will be excluded. The company will also offer a seven-year guarantee against rust perforation of the body.

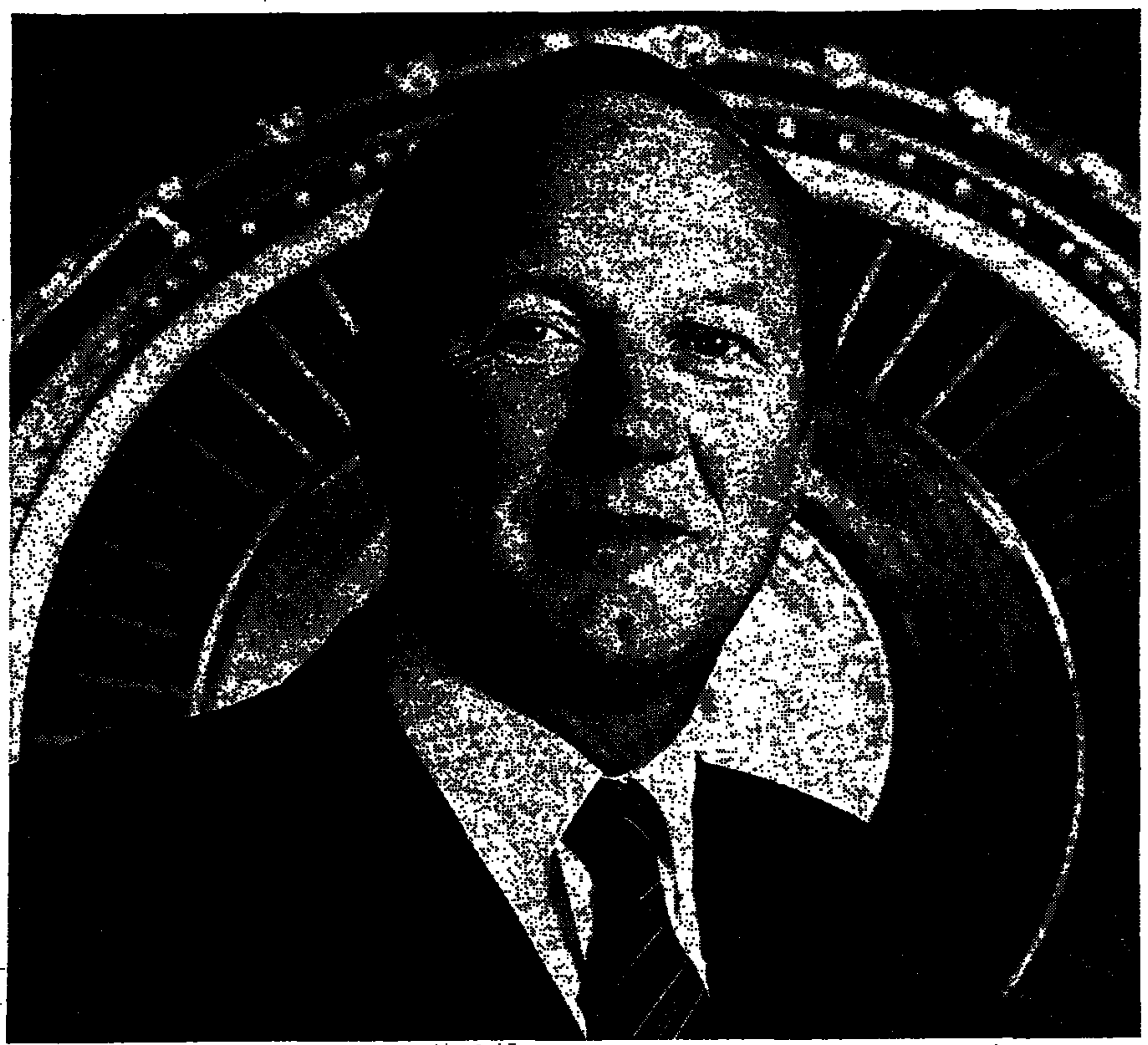
Chrysler successfully used extended warranties as a marketing tool in the US, and other manufacturers were forced to follow suit. In Europe few car companies offer more than a one-year warranty, but Chrysler's move is unlikely to trigger a warranty war, because it will account for such a small part of the market.

Mr Iacocca also announced Chrysler had signed up distributors in the nine European markets on which it intends to concentrate. Among them is a new company in West Germany, which is expected to account for 60 per cent of the 5,000 cars Chrysler hopes to sell in Europe next year.

The majority of Chrysler Import Deutschland is owned by the Louwman Group, a Netherlands organisation

The dynamo that moves turbines

Twenty years ago a young British engineer took a small company, sales only half a million or so, and grew the business, not the ten or dozen times he had in mind, but 200-fold.
Here in an interview with **Robert Heller** he looks forward to the next ten years.
It reads like a classic success story of a new entrepreneurial era.



Kelvin Bray O.B.E. Managing Director of Ruston Gas Turbines Limited. *Photography by Terry O'Neill.*

THE facts and figures fit the entrepreneurial mythology, but not the ownership: Kelvin Bray and his team have built Ruston Gas Turbines inside the General Electric Company.

It wasn't originally GEC's idea. A Cambridge graduate, Bray chose to work for the then independent Ruston and Hornsby. His first important job was on the commercial side of the gas turbine division, a business which got the young Bray "quite excited" in the late sixties.

"Ruston exports to 66 countries."

What Bray, an energetic enthusiast, still finds "very exciting" includes variety, speed of movement, the fascinating lands where gas turbines sell, the "very tough time-scale" of orders for engines for off-shore platforms and on-shore pipelines, the fact (above all) that the technology is "doing things that haven't been done many times before."

They were not, however, being done on much of a scale when English Electric bought Ruston and Hornsby in 1966: "at the edge of this rather fatty chop was a small kidney."

Two years later though, the acquirer was acquired in turn, and Bray and his "small kidney" found themselves working for GEC. By chance, he had recently won a prize, a management course, which proved "good preparation" for the new environment.

Bray took cheerfully to the Weinstock regime of using ratios to describe the financial performance of the business. He was even more enthusiastic over GEC's response to his ambitious plan for the business: setting up an entirely new company, *Ruston Gas Turbines Limited.*

Bray arrived at the GEC headquarters armed with a presumptuous letterhead for his proposed company to find that he was "pushing at an open door." Separating independent businesses proved to be "the way they did it" at Stanhope Gate. Only one alteration was made to Bray's plans: the letterhead was changed from orange to blue, and blue it is today.

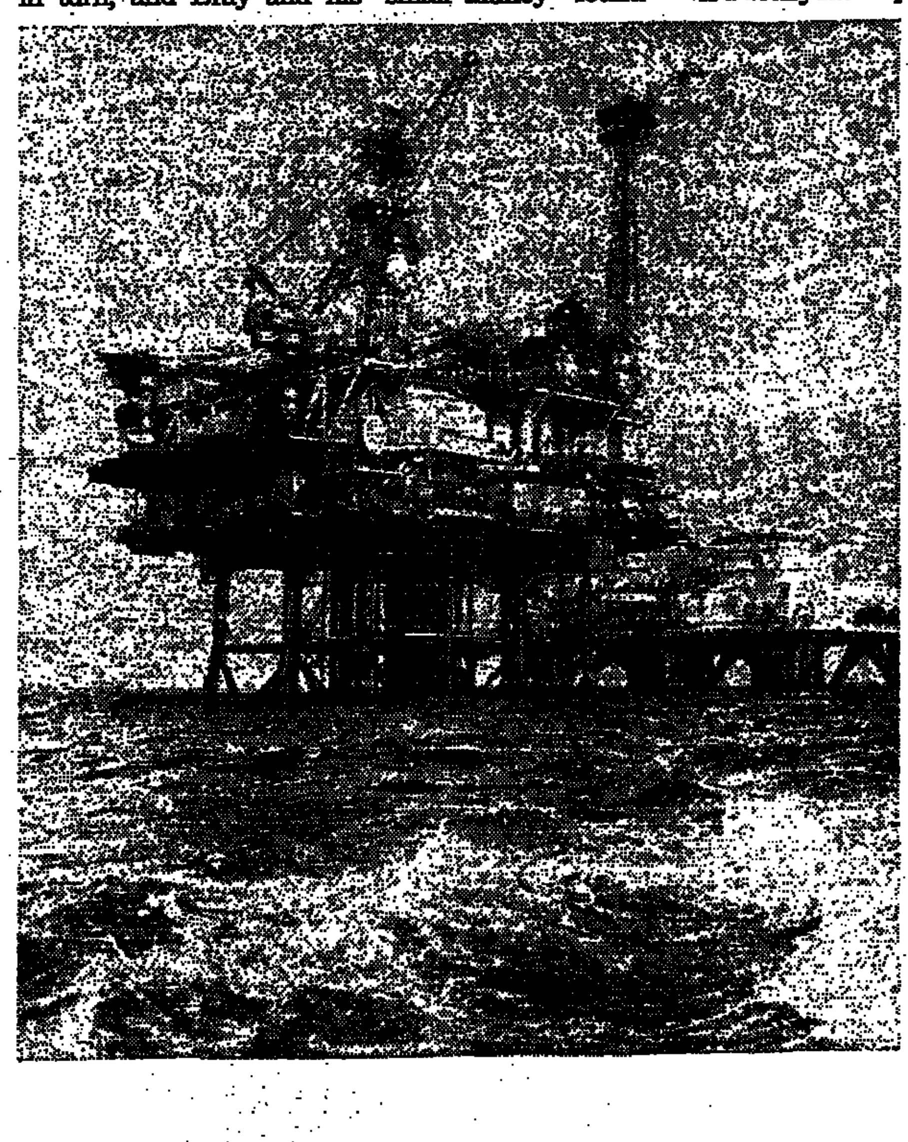
Little else is the same at Ruston Gas Turbines. The half-a-million pounds a year sales with which Bray started passed £100 million in the last financial year – although, when Bray originally talked about a possible £5 or £6 million turnover, there was disbelief.

What changed that to applause was the discovery of a "really ideal application." That ideal market sprang from the characteristics of gas turbines: they run for ever, need little maintenance, no cooling water, and run well on oilfield gas – then almost a waste product.

"Every second gallon of petrol was pumped by a Ruston turbine somewhere."

To Bray and his colleagues at Ruston, that spelt oilfields, where fuel was as abundant as water was scarce. Customers like the Kuwait and Iraq Oil Companies agreed with him, and the business "just mushroomed from there."

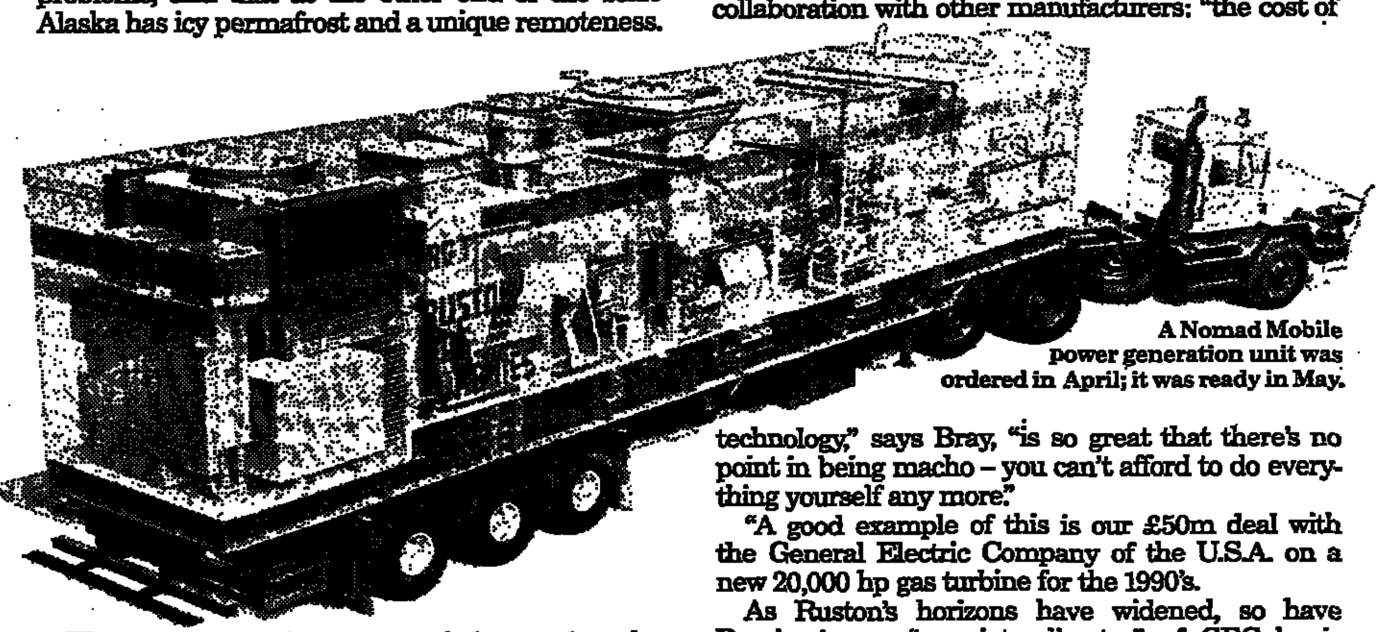
It grew to the extent that, so Bray can claim, "every second gallon of petrol you put in your car was pumped by a Ruston turbine somewhere." That isn't the same as saying that Ruston has half the market: but it does export 90% of its production to 66 countries, and has a good market position in almost every one of them.



One of four platforms in BP's Forties Field where Ruston gas turbines recently achieved two million running hours. Ruston is the largest single supplier of gas turbine power to the North Sea.

SUCCESS was not just a question of technology, although that is very exacting: let a turbine run 10 centigrade degrees hotter, and you halve the life of a blade.

The excellent technology also has to be placed in rugged industrial packages that meet the customer's needs – recognising, for example, the obvious fact that Kuwait will pose sand and heat problems, and that at the other end of the scale Alaska has icy permafrost and a unique remoteness.



A Nomad Mobile power generation unit was ordered in April; it was ready in May.

The ruggedness is accompanied nowadays by *much increased sophistication, notably in automated* controls. Bray's Lincoln factory is in a county whose strong RAF presence means a continuous supply of the right electronic skills.

Bray drew on this pool to create Rustronic and to develop the company's "full authority microprocessor based, digital control system," with its own language. The result is a "powerful means of selling the whole box of tricks with an engine."

"You can dial STD to the Sahara and ask an engine what it's doing."

As Bray notes, this extra work is "one way of weathering recent problems" – referring to the impact of plunging prices in the oil and gas industry, previously Ruston's main customer.

Lower fuel prices, however, enlarge power-generation markets – from cogeneration in the USA to combined cycle in Bangladesh and including Ruston "Nomad" mobiles for "power in a hurry." New customers outside oil and gas form one part of Bray's strategy. Others are a wider engine range and, where appropriate, bringing more and more of the engine in house "everything down the middle – all the clever bits" with warming financial results.

Once, the electrical connections of an engine only required "two little sketches": now it's 29 complex drawings, for which computer aided design is essential.

That is only one of the changes that have helped to make Bray's relatively young company an utterly different business; no longer just an engine builder, but an engineering contractor whose products and systems, selling for anything from half a million pounds to £30 million, are themselves changing, and doing so "faster than ever before."

It was once unheard-of to "introduce two new machines at the same time." Now, Bray is simultaneously replacing both his breadwinners, the 2000 hp and 5000 hp turbines whilst continuing to support the current machines.

The business isn't only technology-driven, however: "Customers drive the business ultimately," and important customers take up much of Bray's own management time.

NOR are the customers far away when, in his other primary role, he's "making sure that we're working on the right technology," because "right" means saleable. The company has spent £150 million on achieving rightness since 1969.

Bray emphasises that the spending has to be placed in both products and manufacturing processes: "just put it in one and you're dead." The philosophy is one that Stanhope Gate swallowed with ease. Bray believes that GEC gives managers *infinite freedom to succeed.* "They've never said that to me, but that's what they seem to do." No doubt, Bray's "freedom to succeed" stems partly from success itself, and from personal instincts which chime well with corporate philosophy.

Bray emphasises that Ruston's success is a team affair. He has certainly built up a good team, but the new brought-on generation won't have to take over for a while. Bray, at 52, has plenty of ambitions for the rest of his career in a world that must change – and Ruston has prospered on change. It's obvious in the technology, especially that of remote control: today "you can dial STD to the Sahara and ask an engine what it's doing." Change is equally apparent in the need for overseas manufacture to satisfy markets like China.

"We intend doing more in the next ten years than we did in the last twenty."

Change is obvious, also, in the rising necessity for collaboration with other manufacturers: "the cost of technology," says Bray, "is so great that there's no point in being macho – you can't afford to do everything yourself any more."

"A good example of this is our £50m deal with the General Electric Company of the U.S.A. on a new 20,000 hp gas turbine for the 1990's.

As Ruston's horizons have widened, so have Bray's. As an "associate director" of GEC he is responsible, in a chairmanlike role, for nine other companies in the Engine Business Group, mostly making diesels.

But Ruston Gas Turbines plainly excites him as much as it did twenty years ago – and that includes its growth potential. "We intend doing more in the next ten years than we did in the last twenty years," he says.

Bray actually thinks it's quite dull of him to have stayed in one place so long. But successful entrepreneurs seldom stray far from their original enterprises, and there's good reason why they shouldn't: every business has its own tradecraft, and the business which combines the fruits of experience with the zest of change usually wins.

Robert Heller is Editorial Consultant to Management Today.

Reagan avoids clash on Bork nomination

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan, facing the challenge of trying to rally political support in the wake of the debilitating controversy over the Iran-Contra arms deals, put the looming battle over his nomination of Judge Robert Bork to the Supreme Court at the top of his agenda in a speech to Administartion officials yesterday.

But Mr Reagan, following the White House strategy of trying to prevent opponents of the conservative Judge Bork from successfully portraying him as a political extremist, avoided a confrontational tone on this and other usses with which Congress must deal in what promises to be one of the busiest congressional sessions of the presidency.

Mr Marlin Fitzwater, the White House spokesman, yesterday dismissed reports that disgruntled conservatives in the Administration were deeply distudbed about the thrust of Administration policy in Central America and the prospects for securing from Congress renewed aid for the Contra rebels. He suggested that the reports did not reflect the views of the President and his top officials.

While reiterating the Administration view that "the real isue" so far as Nicaragua is concerned i s" peace and democracy in Central America and the national security of the US," Mr Fitzwater stressed that the President is committed to the peace process under way in Central America and is working with Mr Jim Wright, the Democratic Speaker of the House, on US policy there.

Congress reconvenes after the four-week summer holiday today. The Democrats, who are in control of both the Senate and the House, are determined to build on what they see as their success in keeping the President on the defensive so far in 1987.

They are aware that some of Mr Reagan's Republican supporters have been urging the weakened President to be more pragmatic in his dealings with the Democratic leadership and more conscious of the importance of building support for Republican positions as next year's presidential and congressional elections approach.

One unresolved issue is the final shape of the federal budget for 1988. Even though the next fiscal year begins on October 1, the federal government's authority to borrow expires on September 23 and the budget deficit is widely expected to begin rising again towards $200bn in 1989 after a sharp fall this year.

Barbara Durr interviews Peru's President on the politics of bank nationalisation

To govern must be to change, says Garcia

PERU'S MERCURIAL President Alan Garcia believes his proposal for bank nationalisation has moved the country further along the road towards the democratic socialist revolution he wants to lead.

Mr Garcia described the political importance of the measure for Peru in an interview with five foreign journalists.

The foremost achievement of the proposal, he said, was that after 38 days of intense, often acrimonious public debate, "there is a national consensus that the concentration of credit and of economic groups is bad.

"The measure may be criticised," he went on, "but now the question is whether nationalisation is the most appropriate step, not whether something should have been done to change Peru's economy."

The debate, the president proudly said, had taken place "in the most absolute climate of freedom of expression." Peru's press is extraordinarily free, ranging from pro-guerrilla daily papers to extreme right-wing news weeklies.

Mr Garcia's opposition was able to fill pages of newspapers with advertisements against the nationalisation and to buy ample television time. Pro-business publications dedicated much of their coverage to criticism of the measure and news programmes tirelessly featured the debate.

The president gave two reasons why this was crucial to Peru's still fragile democracy-in-the-making: "I believe that democracy is consciousness and consciousness can only be built when people choose from various options and they can only choose when they hear different points of view. That is the exercise of freedom. I do not think you can impart democracy from above with an economic measure."

In addition, he recalled that the military had made a revolution in Peru in 1968, "but it was an economic revolution without freedom, without a free press, without political parties, without the congress. That's worthless. There is no socialism without freedom. There is no revolution without democracy."

He is aware that the history of Latin America is littered with failed attempts at peaceful democratic revolution. However he said success depended on "not falling into the trap of extremism." Just because bankers and businessmen responded angrily to the nationalisation, it did not mean that the government should raise the ante and nationalise more, he said.

Mr Garcia claimed his main economic motive for the nationalisation was to corner businessmen and force them to invest. Until he announced the measure, investment had not been accruing at the pace 5c needed. While the government had engineered high growth of 8.5 per cent in 1986, largely through salary increases, reduced taxes and interest rates and greater public spending, Mr Garcia was disappointed that not all the earnings from business were going to investment.

He said that many industrialists were putting their money into "narco-dollars" and that money was leaving the country. He estimated that capital flight using the pool of "narco-dollars" that flows into the country, ran to between $600m and $800m a year.

Alan Garcia: "no socialism without freedom"

Mr Garcia said he hoped the businessmen who had become bankers would return to industry. "They are stupendous businessmen — bold, capable, intelligent — and private industry is an irreplaceable force for the development of a society," he said.

The president none the less stressed that the political importance of the measure went far beyond the economy. "Politics is not just to govern a country economically. Politics is to handle a country emotionally," he said.

On a large blackboard, the president drew a big circle at the bottom of what he said was the social pyramid. "There is a huge mass of people in this country who are extremely unsatisfied, and I could tell them that in 20 years Peru will have sufficient wealth to provide for all. Some will have faith and wait," he said, "but others will ask, 'Why do we have to take the stairs when others (the wealthy) are taking the lift'?"

"Peru is a powder-keg. I feel a social tension of enormous frustration that expresses itself in violence." Mr Garcia said. Obliquely explaining his often fiery populist rhetoric, he said it was politically important to reach psychologically the mass of angry and frustrated people. It was from them that the Sendero Lumioso guerrillas recruited easily, he said.

"How do you explain," he asked, using the case of one Sendero assassin, "why a woman of 18 years of age who needs a man develops a friendship with him for a month without knowing his name, is then introduced to another man who initiates her in the study of how to destroy the bourgeois state apparatus with Sendero Lumioso?"

"Some days later, this woman is taken to prove herself by killing someone. She doesn't know who gave the order and she doesn't know who she is to kill."

The problem, according to President Garcia, was not Sendero Lumioso which gave the order, but the society that produced people who were willing to become terrorists.

He traced the history of the social division of Peru to the Spanish transfer in colonial time of the capital from Cusco, the Inca empires' central city in the highlands, to Lima on the coast.

"The Andean values, the skin colour, the culture, all were trampled by Lima," he said.

The result was depopulation of the highlands, and a massive migration towards Lima. In 1930, Lima had a population of 400,000. Now it is more than 20m.

Under the bank nationalisation plan he proposes that instead of a few powerful banks in Lima, the country should create a regional banking network. The regional banks would have 70 per cent private shareholding and 30 per cent state.

This dovetails with his proposal to divide the country into 12 regions, each of which would have its own government.

"The problem is that we have been growing with the same historical defects as always," Mr Gracia said. Lima had continued to over-centalise the country and "if the poor man could buy one shirt more per year, the dominating rich could count two industries more."

Leaning across the table, Mr Garcia throws his full 6ft 4in frame into the emphasis: "We don't believe that to govern and change a country is just to make it grow economically. We must change it, cutting down the social differences."

US output shows faster growth

By Nancy Dunne in Washington

THE US economy expanded in August with production growing at a higher rate than in the previous three months, according to a report released yesterday by the National Association of Purchasing Managers.

The report, based on a survey of 250 corporate managers, put its monthly indicator of future economic growth at 59.9 per cent, up from 58.2 per cent in July. The association, which considers that a reading above 50 per cent indicates that the economy is generally expanding, has issued an estimate of more than 50 per cent for the past 13 months.

Mr Robert Bretz, chairman of the group's business survey committee said: "Production was exceptionally strong, considering the normal seasonal slowing, and appeared to be aided by some inventory build-up. The continued rise in new orders virtually assures an excellent third quarter."

Ecuador plans talks with Paris Club

ECUADOR'S Finance Minister, Rodrigo Espinosa, said on Monday that be plans to meet Paris Club creditors on September 17 to discuss the country's external debt, Reuter reports from Quito.

Mr Espinosa said the meeting was to discuss with the Paris Club in an informal way the refinancing of Ecuador's external debt.

He also said Ecuador would meet commercial bank creditors in New York in October to discuss the refinancing of Ecuador's debt to the banks.

Venezuelan floods kill at least 100

AT LEAST 100 people died and thousands were left homeless after floods swept away homes and villages in central Venezuela over the weekend, Reuter reports from Quito.

Heavy rain caused the Limon and Las Delicias rivers to overflow, creating a torrent of mud and water that enveloped outskirts of Maracay and the road north to Ocumare de La Costa. A civil defence leader said rescuers had concentrated on evacuating survivors and that the death toll could rise to several hundred.

Moscow's about-turn relieves oil crisis for Sandinistas

BY PETER FORD IN MANAGUA

IN A dramatic about-turn, the the Soviet Union has saved Nicaragua from a theratened oil crisis by providing the Sandinista government with 100,000 tonnes of fuel.

President Mikhail Gorbachev's special envoy, Vadim Zagladin, announced the emergency offer in Managua on Monday after meeting Nicaraguan President Daniel Ortega.

Sandinista leaders had warned the country would run out of fuel by the end of August after earlier Soviet refusals to provide extra supplies.

Managua sought relief from Mexico, Venezuela, Libya and Iran over the past three months, but reportedly came away almost empty-handed.

The new Soviet supply will see Nicaragua through to the end of this year. Neither Mr Ortega nor Mr Zagladin clarified the terms of the deal, but the Sandinistas have traditionally bought Soviet oil with extremely long-term soft loans.

The Soviet Union will be providing Nicaragua with just over 50 per cent of its oil needs this year, Mr Ortega said. Nicaragua's total needs are for 750,000 tons of oil this year.

Mr Zagladin, who delivered a message from Mr Gorbachev to Mr Ortega, also said he had invited the Nicaraguan President to the celebration in Moscow of the 70th anniversary of the Russian Revolution in November. Mr Ortega indicated he would accept the invitation.

Reports that Moscow had turned down Managua's earlier request for more than 300,000 tonnes of surfaced in May. The Soviets' decision was seen mainly as a sign of their displeasure at Sandinista economic policies, especially at Managua's alleged mismanagement of Soviet aid.

Diplomats had also seen the move as a Soviet signal that Mr Gorbachev would not let Moscow's tight diplomatic and economic links with Managua—a prime US complaint—stand in the way of a superpower deal on arms control and other issues.

Mr Zagladin's announcement makes it clear, however, that Moscow is not prepared to abandon the Sandinistas.

Castillo leads in Mexican opposition primary

BY LUCY CONGER IN MEXICO CITY

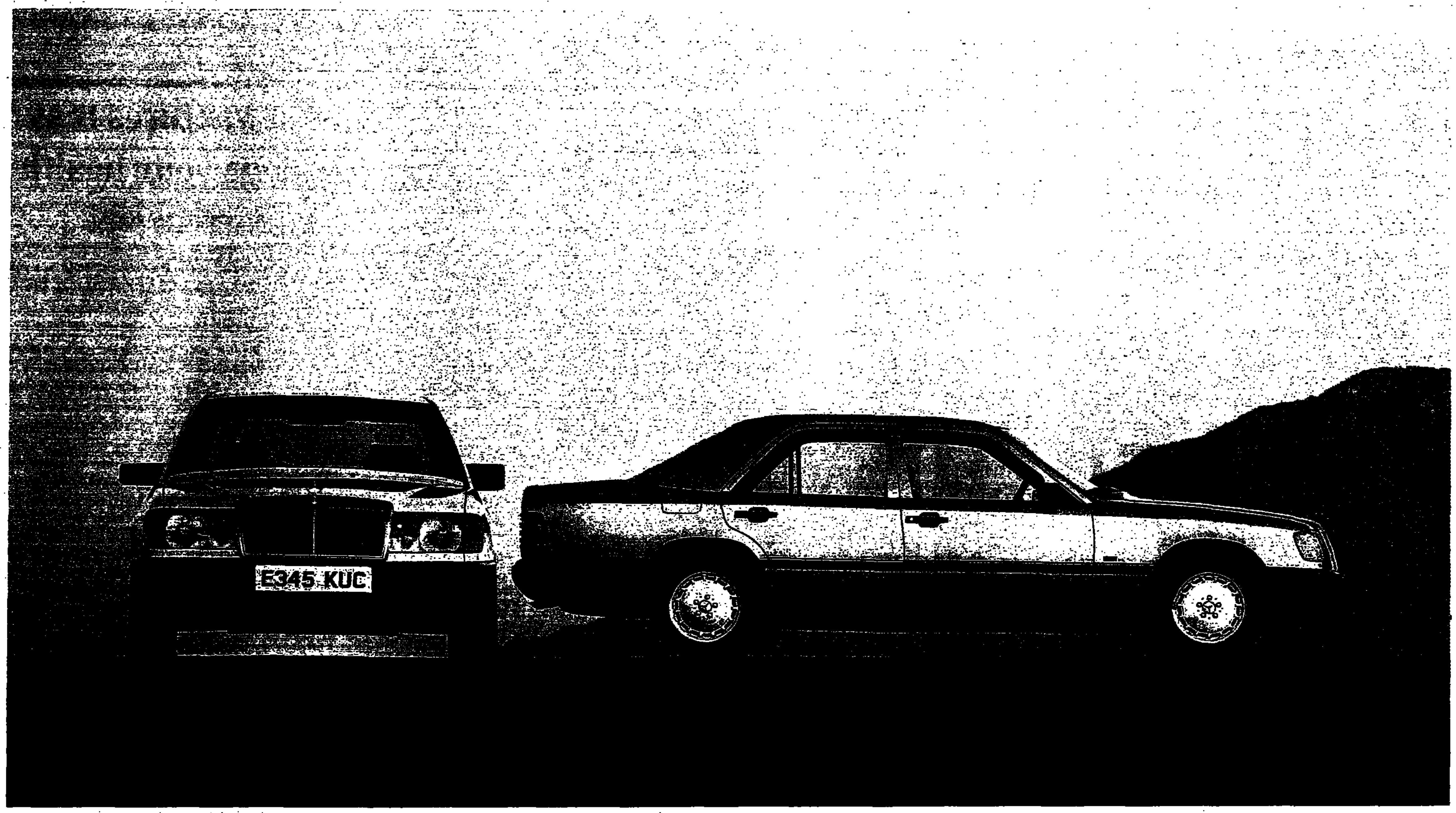
IN MEXICO'S first primary election, a pragmatic left-winger is leading the poll to select the opposition Mexican Socialist Party's candidate for presidential elections next July.

Preliminary returns from 20 per cent of the voting booths gave a 2-1 margin to former Mexican Workers' Party leader Heberto Castillo, the least orthodox of the four candidates.

The PMS plebiscite, open to party members and non-members, is the most aggressive participatory method adopted by right and left opposition parties to select their presidential candidates. The Mexican Socialist Party, or PMS, was born of a fusion of the old Communist Party, the centre-left Mexican Workers' Party and smaller left-wing groups.

In the ruling Institutional Revolutionary Party the departing president usually chooses the official candidate who is virtually assured of victory. But for the first time ever, the PRI announced last month the six finalists, and allowed each presidential contender to give a speech televised nationwide in what party officials hail as a "democratic opening."

Despite the modest turnout of nearly 300,000 in a nation with more than 31m registered voters, PMS officials and voters at balloting tables in middle-class neighbourhoods said the unprecedented primary election was important because it could pave the way for political reform.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MANAGEMENT

ICI Paints

Putting a lot of faith in synergy

Ian Hamilton Fazey examines the progress of the UK group's foray into the US

WHEN ICI bought the US paint giant Glidden from Hanson Trust last year for $580m (then worth £390m) the price included a sum for synergy. The assumption was that the merger of two of the world's leading paintmakers would produce a new whole greater than the sum of the constituent parts.

Richard Stillwell, despatched from ICI Paints UK headquarters in Slough to be vice-president for planning and acquisitions in the Cleveland-based US operation, is in charge of the management of synergy in what - with global sales of more than £1.26bn - is now by far the world's biggest paintmaker.

He has a lot to achieve but will not say exactly how much in monetary terms. The value ICI put on synergy is secret - John Dumble, Glidden's president, fears that disclosure would give vital clues to competitors and companies targeted for acquisition about how ICI builds its negotiating position.

When pressed, Stillwell admits that the sum amounted to "tens of millions of dollars," which puts the value of synergy at between 3 and 15 per cent of the purchase price. Nine months into the takeover - or "marriage", as Herman Scopes, principal executive officer of ICI Paints, prefers to call it - what signs are there that the price was justified?

Stillwell says: "We have a number of identifiable projects - 70 or 80 are now under way in a variety of places."

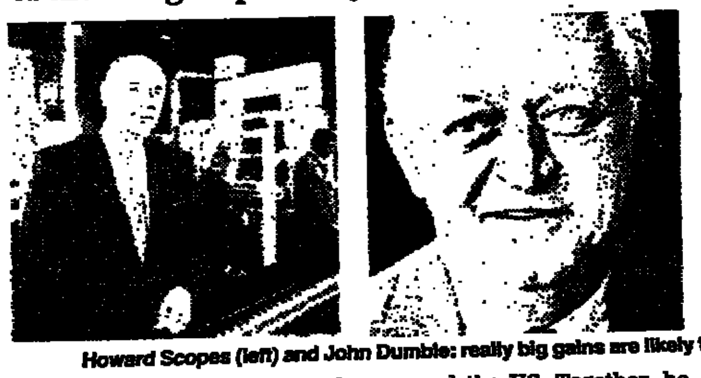
They include using ICI expertise to speed up production of latex paint - which Glidden invented - and save $400,000 a year straight off in the US.

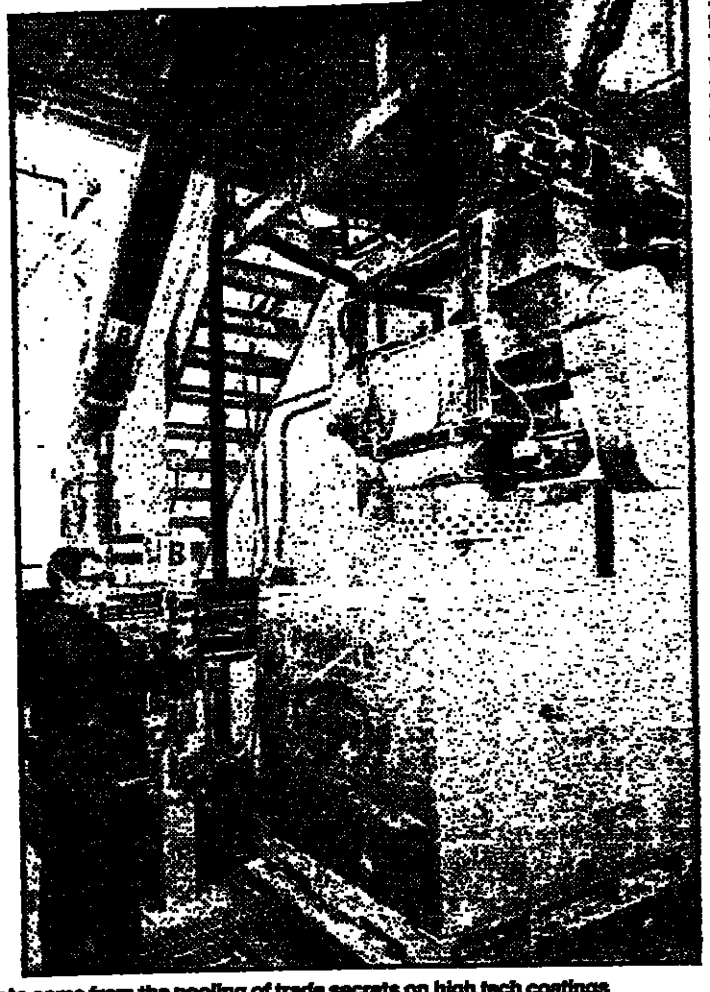
Savings are already five times better than expected in the bulk purchasing of feedstocks and materials. This is partly because the pooling of purchasing operations to increase clout and buying power was worth $750,000 a year to another part of the ICI group in the US.

But it is in the pooling of market intelligence and trade secrets about high technology coatings that the really big gains are likely. Jinty Price, chemicals industry analyst with Barclays de Zoete Wedd, says that these are likely to be in high value added niches where considerable profits can be made. Cans - the things that beer, beverages and food come in - are a case in point.

Cans are coated inside and out. Inside, the coating is a thin lacquer which acts as an inert barrier against contamination between the can's contents and the metal of the can. Outside, the coating is mainly for identification - and decoration.

In 1974 Glidden patented a water-based lacquer for the US beer and beverage market that no competitor has been able to match. The result is that it now has an 87 per cent share of a US "beer'n'bev" industry output of more than 70bn cans a year.





Howard Scopes (left) and John Dumble: really big gains are likely to come from the pooling of trade secrets on high tech coatings

ICI is no slouch in cans either, ranking as a world leader in lacquers based on organic solvents. These are used in the food industry, where they have proved themselves long term against the chemically aggressive tomato and mushroom. And it can coat the outsides of cans too.

Combining the portfolios, and swapping secrets and know-how, will enable Glidden to use ICI's solvent-based lacquers to expand into food cans and decoration in the US, while ICI will be able to use Glidden's water-based lacquers to compete more widely in Europe and the rest of the world.

Stillwell says that this will profit Glidden by $1.4m a year from 1989, the delay being caused by the time taken to get approvals from the US Food and Drug Administration.

On a global scale the ICI-Glidden marriage promises much more, however. Quintin Knight, who is Dumble's opposite number at Slough, has set a target for ICI to achieve a 40 per cent share of the total world market in can coatings.

ICI and Glidden each have about 25 per cent in their respective main markets of Europe and the US. Together, he believes that a global 36 per cent is realisable in the medium term and 40 per cent thereafter.

The two companies are also strong in ordinary decorative paint markets, both in do-it-yourself and in sales to the painting trade - ICI with Dulux and Glidden with its Spred brands. While branding and marketing will remain unchanged, products and technologies will be potentially interchangeable.

Each company had already targeted similar segments for technological attack in industrial markets, particularly the world's automotive industry. Together they stand to steal a march on competitors such as BASF and Hoechst of West Germany, Nippon and Kansai of Japan, and PPG, Dupont and Sherwin Williams of the US.

For example, the motor industry is under increasing regulatory pressure worldwide to cut down on emissions into the atmosphere of organic solvents from paint shops; such emission has been exacerbated by the public taste for "metallic" colours on cars.

To achieve this effect paint has to be thin - with little pigment in lots of solvent - so that the aluminium particles which impart the sheen will lie flat in the coating. If they are crowded by the pigment they stand on end and the colour of the car "flips", changing shade as you walk round it.

ICI has developed a waterborne basecoat - Aquabase - that gets over part of the problem. Because the solvent is water there is no pollution as it is driven off during drying, but a transparent, glossy topcoat, made with an organic solvent, has then to be applied to provide final protection.

Glidden is now using its skills as the US market leader in powder coatings to solve the final part of the problem.

Powder paints contain no solvent at all - only pigment and resin. They are sprayed through an electrostatic field to pick up charge and, consequently, will deposit evenly on an earthed surface. They form into a normal-looking paint when heat is applied.

Using a Glidden powder coating to protect the ICI water-based coat still poses problems, however. The powder has to cure at a low enough temparature not to damage the coating it is supposed to protect and, so far, the powder coatings are not hard or glossy enough.

But Alex Ramig Jr, Glidden's vice-president for research and development, is confident. Car body parts already hanging on the wall of one of his laboratories in Strongsville, Ohio, suggest that he has good reason.

This particular piece of work is something that could not have taken place before ICI bought Glidden. It is unlikely that as separate companies either would have been willing to explain enough of each piece of technology to put them together.

Ramig sees it as part of a remarkable series of "good fits" between ICI and Glidden in a wide range of paints and coatings for highly specialised industrial markets. Win in one of these and you win the lion's share worldwide.

The good fits are broadly based in the sciences of flow and controlling the chemical reactions that occur as coatings cure, as well as in the esoteric art-cum-science of engineering mixtures of particle sizes to achieve what Ramig calls "polymer architecture".

Nevertheless, the sheer size of a £1.26bn global business surely threatens the effective harnessing of all this know-how? Herman Scopes takes the point but says he has acted appropriately. For a start the old ICI Paints Division has been scrapped. Instead it has been transformed into plain ICI Paints and is functioning as a stand-alone worldwide business in its own right.

Scopes heads it, with Dumble of Glidden, Knight of Slough, and John Danzeisen, another US citizen and previously with ICI Americas, as finance director. This four-man team is advised by an international council of senior managers to provide operational coherence across global boundaries.

Before the acquisition, ICI was the world's third largest paintmaker behind BASF and PPG but had little presence in the US. Buying Glidden - which Hanson had picked up when it won its bitter fight for SCM - brought it a company that was the world's seventh largest paintmaker and the US's third biggest.

In one swoop ICI Paints became biggest in the world and - unlike most of its competitors - a truly global business in markets where multinational manufacturers of things like cars and cans want global consistency from suppliers.

A year before, ICI had considered buying Inmont, another US paintmaker, from United Technologies. It pulled out as the asking price rose, BASF emerging with the prize for $1bn - but Inmont and BASF are both inkmakers too, so that fitted.

For little over half the price, ICI got Glidden. Dumble says: "We were very happy it was ICI. I have never seen a situation that has gone as smoothly. The fit of the organisations and the people in them has been admirable."

Scopes adds: "This is not the British Empire reborn. We have bought a very strong, very high quality paint company which is bigger than the old ICI Paints Division in Europe. It would be difficult to manage it in a hands-on way and we are not going to. It already has high quality, highly qualified management."

The quality is told in a single statistic - the US paint industry is growing at 2 per cent a year, while Glidden's growth has been an annual 9 per cent. Last year's sales were $652m but are running 26 per cent up so far this year.

What will a little synergy do for that? More important, what will it do for ICI Paints worldwide?

Jinty Price's view is that "the figures that have come out so far show that Glidden is performing ahead of expectations. The big gap in ICI's world market was in the US. Glidden filled it and seems to be fitting with ICI very well indeed. What happens next is going to be very interesting."

Joint ventures may damage your health

BY CHRISTOPHER LORENZ

COLLABORATORS beware! Corporate alliances may be ultra- fashionable these days, but before long your partner may attack you, disable you, or even eat you alive.

This salutary view of the dangers of joint ventures and "strategic alliances" between companies in Europe, the US and Japan, emerged last week from a meeting of international businessmen and academics at INSEAD, one of Europe's leading business schools.

The risks apply not only to alliances between Western and Japanese companies, it was claimed, but also to collaboration within Europe.

Several of the high technology alliances recently forged in Europe with EEC support "will face enormous management problems" when they move from joint research and development towards production, warned Professor Pedro Nueno of IESE, the Barcelona-based business school. Having studied 15 collaborative ventures with Jan Oosterveld, a senior executive at *Philips*, the *Dutch* electronics multinational, Nueno said that troubles would arise over manufacturing and sales, "when bigger investment commitments need to be made".

Echoing a concern expressed repeatedly at the symposium by analysts of collaboration between Western and Japanese companies, Nueno pointed out that one of the partners in an alliance often has a "hidden agenda": objectives which go far beyond the formal aims of the alliance, and which in some cases completely contradict them. "It's difficult to write about these things," he said. "But people with experience tell you about them - such as their feeling that they are being driven into an irrelevant field by a partner."

"The idea of competing and collaborating sounds good, but some people have doubts where it's leading to," Nueno reported, referring to alliances where the partners collaborate on R & D, and later compete with each other.

Unplanned transfers of technology from one side to another would produce unexpected competitors for some unlucky partners, he forecasts. Many European alliances would prove unstable and temporary, while others would end in the take-over of one partner by the other.

Rejecting the so-called "win-win" theory of alliances - the idea that both sides in a relationship benefit - speaker after speaker at the three-day INSEAD symposium took a contrary view. Only within individual countries, or those with near-identical cultures, was "win-win" the case, suggested one executive from a leading multinational manufacturer.

In alliances between Western and Japanese companies, the Japanese have usually benefited most so far, claimed Gary Hamel of the London Business School. In all but two of many such alliances studied by Hamel and his European and American co-researchers, he said, the Japanese had started out as the weaker partner, but ended as the stronger.

Among other factors, this was partly because of their more effective and far-sighted strategies, and partly because of their greater ability to absorb what they learned from their partner.

Professor Margaret Graham of Boston University suggested that in Western and Japanese alliances, most US companies sought Japanese partners for short-term and defensive reasons, while the Japanese were usually in search of some extra long-term competence, frequently in the form of access to new markets and distribution channels in the West.

In such situations, the Western quest for short-term profits was often the root problem, suggested Graham. "In many alliances the Western side is overwhelmingly concerned with overhead reduction, whereas the Japanese are prepared to invest heavily over long periods of time in skills and learning. So was America - in the past!"

This imbalance of attitudes to an alliance is particularly harmful to the Western partner when the Japanese side has a carefully planned "hidden agenda", argued another experienced participant. "In its joint venture with Toyota to build small cars, General Motors is being headed off on a very dangerous tack. GM has learned the wrong message - that the Japanese succeed through low technology manufacture. In fact, Toyota has actually used the alliance to learn how to use advanced automation. As a result, GM is now moving in entirely the wrong direction."

APPOINTMENTS

NatWest senior post

Mr Bill Barron has been appointed deputy general manager of NATIONAL WESTMINSTER BANK'S domestic banking division. Since March he has been assistant general manager and was previously deputy regional director of the Manchester-based north region, and Birmingham area director.

★

NORBAIN ELECTRONICS has appointed Mr John Crouch as managing director of its systems engineering division. He was UK marketing manager of NCR's field engineering division.

★

Mr Roger Cooper, marketing director of IDEAL STANDARD, has been appointed sales and marketing director.

★

Mr Robin Hardy has been appointed creative director of ABBATT PHELPS TANOUS. He was senior designer at Broad Street Associates.

★

REED EXECUTIVE has appointed Mr Tony McBurnie and Mr Brian Ward Lilley as non-executive directors.

★

Mr Robert Butler has joined MOUNT STREET (HOLDINGS) as joint chief executive, based in Al-Khobar, Saudi Arabia. He was head of corporate banking, eastern province, The National Commercial Bank of Saudi Arabia.

★

Mr Lars U. Thulin has been appointed managing director of DEN NORSKE CREDITBANK. He succeeds Mr Stein Wessel-Aas, who is returning to Norway to a senior post at head office in Oslo.

★

Mr Simon Brown has been appointed financial director of WINCANTON GROUP, part of Unigate. He was finance director of Arlington Motor Holdings.

★

TR INTERNATIONAL (CHEMICALS), a Simon Engineering company, has appointed Mr Andrew Jakeway as deputy to marketing director Mr Martin Hayman. He joins the company in mid-September from ICI.

★

Mr William Davis has been appointed chairman of BRITISH MAGAZINE PUBLISHING CORPORATION (part of BPCC). He remains chairman of recently acquired Headway. Mr Martin Vernon, former advertising director of the London Daily News, takes over managing director of Headway. Mr Bob Forrester, currently managing director, is leaving at his own request.

Mr Philip H. Swatman, director of corporate finance at Chase Property Holdings

CHASE PROPERTY HOLDINGS has appointed Mr Philip H. Swatman to a newly-created post on the board as director of corporate finance. He is an executive director of corporate finance at N. M. Rothschild & Sons.

★

Mr Michael Freeman has been elected to the board of ADDITIONAL UNDERWRITING AGENCIES (No 4), a wholly-owned subsidiary of the Corporation of Lloyd's. He is a director of Newgreen (Underwriting Agencies) and Castle Underwriting Agents. AUA is the substitute agent established by Lloyd's to manage the affairs of members of the former PCW syndicates.

★

Dr Colin Dennis has been appointed director general designate of CAMPDEN FOOD PRESERVATION RESEARCH ASSOCIATION. He will succeed the present director general Mr Kenneth Dudley on his retirement next April. Dr Dennis was head of the Association's food technology division.

★

At ASSOCIATED NEWSPAPERS HOLDINGS, Mr R. M. P. Shields, managing director, becomes deputy chairman and Mr C. J. F. Sinclair deputy managing director.

★

Mr David Ryves has been appointed to the main board of ROBERT WALTERS ASSOCIATES.

Marketing director at B & Q

Mr Bill Whiting has been appointed marketing director on the main board of B & Q. He was director of marketing on the executive board.

★

CREDITANSTALT - BANKVEREIN has appointed Mr David H. Stewart as general manager and chief executive of its London branch, from September 25. Mr Stewart was an executve director at County Nat-West.

★

Mr Bernard P. Harty has been appointed a director of CHELSEA BUILDING SOCIETY. He is Chamberlain of the City of London and his duties include those of banker and director of finance. He is also responsible for the corporation's information technology and telecommunications strategy.

★

Mr Ronald Andrew Miller, chairman and chief executive of Dawson International, has been appointed a director of SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY. He is also on the boards of Christian Salvesen, and Securities Trust of Scotland.

£16m orders for Senior

SENIOR ENGINEERING GROUP has won contracts with a total value of more than £16m.

The thermal division has orders worth over £4m for utility economisers, moisture separator reheaters, fired and waste heat boilers for delivery in the US, Italy, Russia, Korea and Holland. Over 50 per cent of these orders were obtained through a new subsidiary in the US, Southwestern Engineering and there are a further £1.3m of additional options to be taken up at a later date. These products will be used in power stations and desalinisation and marine applications.

On the air handling side, Senior's subsidiary Hargreaves & Sons, has major orders totalling over £11.9m including work for the Financial Times new printing works, Kelloggs at Trafford Park in Manchester, the Ministry of Defence in hWitehall, BNFL at Sellafield and Glaxo. Penn Machine, a light engineering subsidiary in the US, has a $1m order for wheels for the Los Angeles County Transportation Commission.

★

WASTECHEM has been awarded a contract worth over £2.5m by the Central Electricity Generating Board, to undertake the decommissioning and refurbishment of the P.I.E. caves of Berkeley Nuclear Laboratories, converting them from Magnox to AGR fuel inspection facilities. The contract is expected to last until 1990. The project, is primarily beta/gamma work.

★

The transmission division of BALFOUR BEATTY POWER CONSTRUCTION has been awarded a contract by the Yorkshrire Electricity Board for the supply and erection of a new 132 kV overhead line from Bransholme Tee to Salt End, Hull. The contract, valued at £1.5m, involves the supply of all materials, except tower steelwork, toether with the erection of a 13 km line to supply a new BP installation at Salt End on the outskirts of Hull. All conductors will be supplied by BICC. The contract is due for completion by August 1988.

The division, in association with Balfour Kilpatrick's Birmingham office, has also been awarded a contract by the Manx Electricity Authority for modifications and extensions to its 33 kV transmission system between St Johnc and Pulrose power station, near Douglas, Isle of Man. The contract value is £1.3m and involves transformers and switchgear, installation of cables, and installation of 20 kms of 33 kV overhead lines. The overhead conductors and the underground cables will be supplied by Manx Electricity Authority. The work is due for completion by the end of April 1988.

Balfour Beatty Power Construction and Balfour Kilpatrick are BICC companies.

Abbey National plans estate agency network

BY HUGO DIXON

ABBEY NATIONAL, Britain's second-largest building society, yesterday unveiled an ambitious plan to create an estate agency network with 1,000 branches within five years.

This would make it the largest estate agent in the country on the basis of the present size of competitors within the industry. However, other financial institutions that have moved into the business in the last couple of years are building up networks at such a pace that Abbey is unlikely to be the largest when it reaches its target.

Abbey is taking advantage of powers given under last year's Building Societies Act, which allow societies to enter the estate agency business. Its network will be called Cornerstone.

Unlike other societies, notably Halifax and Nationwide, it is planning to create its network mainly through franchising a strong branded image rather than by acquisition. This is the first time franchising has been used in estate agency in Britain.

Abbey has taken this route because it believes the price of estate agents has been bid up to excessive levels. Also, as a mutual institution, it is not able to pay for acquisitions by issuing shares but has to find money from its reserves.

Abbey has already bought 48 estate agency offices and plans to increase this through acquisition to 100 by the end of the year. A further 100 offices will be added to the network by acquiring green field sites.

The remaining 800 offices will be built up by selling the Cornerstone brand to independent estate agents in return for a proportion of turnover. Abbey expects agents who are worried about their ability to remain independent in the face of competition from large groups to be attracted.

Abbey's plan is to create a disciplined branded network. This will be reinforced by strict training standards, uniform branch design and a uniform product range. Abbey says it does not think this stress on uniformity will deter agents from joining.

In common with other financial institutions, Abbey sees great opportunities for selling people financial services at the same time that they buy or sell a house.

The most important product from Abbey's point of view are mortgages, and it hopes eventually to sell £1bn of mortgages each year for every 100 branches. Cornerstone branches will also be tied agents of Friends Provident, the mutual life company, with whom Abbey recently arranged a special marketing deal for life and unit trust products.

TOP 12 ESTATE AGENTS

Company name	Type of institution	Number of offices
Prudential	Insurance company	585
Royal Life	Insurance company	534
Hambros	Bank	453
Lloyds	Bank	410
Nationwide Anglia	Building society	387
General Accident	Insurance company	353
Team Agencies	Estate agents	350
Halifax	Building society	225
Abaco	Financial services company	120
Connells	Estate agents	109
Provident Financial	Financial services company	86
Hogg Robinson	Financial services company	74

Hambros re-enters assurance business with Guardian Royal

BY STEVEN BUTLER

HAMBRO COUNTRYWIDE, a UK estate agent chain, is linking with Guardian Royal Exchange to establish a life assurance company, initially capitalised at £40m, aimed at selling policies to Countrywide's house buying clients.

The deal will take Hambros, the merchant banking and financial services group which owns 60 per cent of Hambro Countrywide, back into the life assurance business after several years. It will also give Guardian Royal a foothold in the mortgage-related life assurance business without having to develop its own chain of estate agents.

"It will make Hambro Countrywide a unique financial services group in that an estate agency business owns it own life company," said Mr Christopher Sporborg, chairman, yesterday.

Countrywide also announced a 74 per cent increase in pre-tax profits to £10.7m in the six months to the end of June and forecast profits of £25m for the full year.

Countrywide has reached a complex agreement with Guardian Royal for the new company to handle a high volume of policies from the start. Guardian Royal is to set up a life assurance company – as yet unnamed – and obtain approval to begin trading. The company will then be acquired by Hambro Countrywide, probably next summer.

Countrywide is issuing to Guardian Royal 30m new ordinary shares to pay for the acquisition, worth £48.3m at yesterday's closing prices, as well as 25m convertible deferred shares. These will become convertible in 1991 when a further payment of 165p a share would be due.

Guardian Royal will enter into a contract to manage the life assurance company and provide reassurance services for five years. The new company, however, would eventually become self-sufficient.

Both Hambros and Guardian Royal will further increase by 6m shares each their holdings in Hambro Countrywide through a purchase of shares at 150p each from directors and certain other shareholders. Hambros will then hold a 52 per cent stake, and Guardian Royal 20 per cent.

A partial offer to other shareholders is to be made, under which Hambros Bank, on behalf of a group of institutional and corporate investors, will acquire up to 50 per cent of outstanding shareholdings at 150p a share, with Guardian Royal and Hambros not taking up the offer. This will give shareholders the chance to cash in on investments in the shares, for which there is a thin market, and is aimed at creating a wider market for the shares.

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Defence contractors link in bid to design new warship for Nato

BY DAVID BUCHAN

NINE UK defence contractors have formed a consortium to bid for the British role in designing a new warship for eight Nato navies.

The UK is expected to join seven other governments in signing a memorandum of understanding next month on the definition stage of the Nato Frigate for the 1990s (NFR-90) project.

The new Supermarine Consortium (SCL) said yesterday it hoped that, soon after the signing, the Ministry of Defence would designate SCL Britain's "national industrial representative" in the multi-billion pound project.

The nine shareholders companies in SCL represent a total frigate-building capability. British Aerospace, Ferranti, Plessay, Racal and Thorn EMI are able to provide weapons and electronics, Rolls Royce the engines, and VSEL, Vosper Thorneycroft and Yarrow Shipbuilders the hulls.

However, MoD officials said yesterday that production contract for NFR-90 in the UK would be put out to tender, and that competition for the work would be tough, particularly from shipyards.

The NFR-90 would replace Type 42 air-defence destroyers by around the end of the century.

The eight participants in NFR-90 – the UK, the US, Canada, France, West Germany, Italy, the Netherlands, and Spain – are expected to order about 50 ships, of which the UK might take about a dozen.

However, the course of the project is unlikely to be smooth in view of the failure of past efforts to build common Nato warships.

For instance, the US has been pushing for a fairly large frigate of more than 6,000 tonnes, while the UK and some other European governments want to keep NFR-90's size to less than 5,000 tonnes to save money and manpower.

This argument will have to be resolved during the forthcoming project definition. However, should the US lose its side of the argument, there is a fear that it might not buy any of the ships. A smaller production run would reduce cost savings to the remaining buyers.

● Marconi Underwater Systems Ltd (MUSL) has taken a key step towards a potentially lucrative US contract by getting its practice torpedo chosen for testing by the US Navy.

● GEC Avionics has been chosen to supply prototype air-data computers for Canadian F-5 fighters.

Maxwell is seeking Japanese partners

By Raymond Snoddy

AFTER LAST month's attempts to find partners in the Netherlands, Mr Robert Maxwell, the British newspaper publisher, has launched his pursuit of the Japanese.

Mr Maxwell, chairman of the British Printing and Communication Corporation and publisher of Mirror Group Newspapers, announced in Tokyo that he was looking for Japanese partners to help him build one of the world's top 10 media groups.

"You cannot build a global media company without having a Japanese partner, and I believe it will be possible for us to find such a partner," Mr Maxwell said.

Mr Maxwell will be meeting officials of the Tokyo Stock Exchange today to discuss an application for a listing for BPCC. The British publisher said he wanted to have BPCC shares listed in Tokyo in the near future although he declined to say when this was likely to happen.

The Mirror publisher, who has said he plans to launch three new newspapers in the UK following the failure of the London Daily News, will also discuss both newspaper and television ventures while in Japan.

Mr Maxwell says he wants to set up a daily newspaper to be published simultaneously in London and Tokyo which would provide Japanese news for Europe.

During his stay in Japan Mr Maxwell plans to talk to Fuji and NHK about possible television ventures.

For good measure before leaving for Tokyo he told the London correspondents of the Japanese press that he was planning to set up a European satellite television news channel.

He wanted to deliver to Japan to compete against Mr Ted Turner's Cable News Network. Mr Maxwell even said he might translate the channel, which does not exist yet, into Japanese.

Ratners could face damages claim by Weinstein family

BY CLAY HARRIS

RATNERS GROUP, Britain's largest jewellery retailer, may face another claim for large "golden handshakes" in the wake of the resignations yesterday of five members of the Weinstein family, former controlling shareholders of the rival Ernest Jones chain which Ratners bought for £25m in July.

The Weinsteins resigned suddenly yesterday morning only a month after the takeover was declared unconditional.

Mr Ernest Weinstein, co-founder of the Jones chain in 1949, said the ability of his sons, Philip and Michael, joint managing directors of Jones, "properly to perform their duties has been seriously undermined by interference and severe restrictions placed upon them by Ratners."

Mr Gerald Ratner, chairman, described the resignation as a "bolt from the blue" and attributed them to differences over the future commercial direction of Jones, which Ratners plans to retain as a separate trading name.

"I didn't want them to walk out," Mr Ratner said: "I wanted them to do what I said."

After a similar dispute last year, Ratners agreed to pay £535,000 to Mr Anthony Edgar to buy out the remaining four years of his service contract. Mr Edgar had become group chairman only four months previously when Ratners bought his H. Samuel chain to take first place in the UK jewellery market.

In theory, the Weinstein brothers could seek payments of at least £500,000 each under their Ratners contracts, which carry an annual salary of £100,000 and can be cancelled only with five years' notice by either side.

Mr Philip Weinstein said yesterday that the family was consulting its lawyers. Mr Ratner said that any action would be defended.

In a statement yesterday, Mr Ernest Weinstein also said: "Despite the clear understanding that I would remain chairman of Ernest Jones until my retirement at the end of the year, I was replaced by Mr Gerald Ratner immediately upon the offer becoming unconditional."

Mr Ratner said: "It was of meaningless importance as he was leaving the company anyway."

Mr Ratner has spearheaded a revolution in jewellery retailing in Britain, through a shake-up of his family's own business and the takeover of H. Samuel and Terry's. Ratners has concentrated on inexpensive fashion products rather than the luxury market.

Mr Ernest Weinstein's wife and daughter also resigned from the Jones board yesterday.

TSB to establish bank for wealthy in Luxembourg

BY HUGO DIXON

TSB, the banking group, plans to set up a private bank catering for wealthy individuals in Luxembourg. It claims to be the first British bank to establish such an operation in the country.

The new bank, TSB Private Bank International, is due to open in January 1988. It will have authorised share capital of $20m and start-up capital of $10m.

TSB England & Wales, the largest bank in the TSB group, will have more than half the shares in TSB Private Bank. Other shareholdings will be held by TSB Channel Islands, which caters mainly for expatriate Britons, and two unnamed continental European banks.

TSB Private Bank will be aimed at people with free assets of between $500,000 and $5m –described by TSB as the "middle rich". Luxembourg was chose rather than Switzerland, TSB said, because it was cheaper. There will also be a representative office in London.

The group expects non-Britons living in London and elsewhere in Europe, especially Scandinavia, to be attracted by the services on offer. It does not think that TSB's down-market image will be a drawback.

UK NEWS

Isle of Wight in compulsory water meter test

BY RICHARD EVANS

WATER METERS are to be installed compulsorily in all Isle of Wight households next year in a large-scale exercise to assess consumption patterns and costs before the probable introduction of water meters nationally.

The Isle of Wight, with about 50,000 households, is by far the largest of 11 areas in England and Wales that will have meters installed under the terms of the Water Charges Bill now before Parliament. The others will all have about 1,000 households.

The assumption in the water industry is that once the necessary data has been collected and assessed, water metering could be introduced throughout the country over the next decade. It would be a much bigger exercise than the conversion to North Sea gas and it is not yet clear who will pay. Each meter would cost about £100 to install.

There might be big political protests over the Government's proposals, which will be announced next week, since many Conservative peers and MPs will object strongly to the compulsory element in the plans. Opposition MPs argue that metering would mean large, poorer families paying much more for their water than they do at present.

Charges in the experiment areas will vary to test the effect on demand. The water authorities want a tariff system that charges moderately for basic needs but discourages heavy use of hosepipes and sprinklers.

Metering is the favoured future method of charging for water once domestic rates have been phased out and replaced with a community charge. At present tariffs are based on rates, which means that the amount of water consumed bears no relation to the bill paid.

Ethical Trust launched by offshoot of Abbey Life

BY ERIC SHORT

ETHICAL INVESTMENT has taken a step forward in the UK with the launch of The Ethical Trust announced by Abbey Unit Trust Managers, the unit trust arm of Abbey Life Group.

Mr John Davies, head of group marketing, claims that increasingly many investors are showing concern that their investment should be used positively to benefit society.

He foresaw the UK savings market following that of the US, where almost 10 per cent of all Wall Street investment was ethical and some 5 per cent of mutual funds, the US equivalent of unit trusts, were on an ethical basis.

However, Mr Davies emphasised that the new fund would be adopting a positive approach towards the selection of suitable investments, instead of the usual "no-go" approach of excluding companies.

Thus the fund would be looking for well-run companies with a history of good industrial relations, the activities of which offered long term benefits to the community and the environment.

Companies in the health care, pollution control, housing and home protection fields were seen by the fund as potential investments.

However, the fund did have certain exclusions. They included armaments, nuclear processing, tobacco, alcohol and gambling. Nor would the fund invest in companies with large interests in South Africa. However, companies with a small involvement in South Africa would not be excluded if other criteria were fulfilled.

Investments will be monitored by an advisory board, to which the investment managers would report every three months.

Channel Tunnel 'likely to be on time'

By Andrew Taylor

THE RISK of the Channel Tunnel being jeopardised through construction delays or by running over budget are so minimal they can almost certainly be discounted, says Warburg Securities, lead broker to the project's forthcoming £750m international share offer.

Warburg, in the second of three circulars it is issuing on the project, says the timetable proposed by Eurotunnel, the Anglo-French consortium that proposes to build the 31-mile (50km) rail tunnel, had allowed a substantial margin for error.

The 11 machines that will bore the two main rail tunnels and a service tunnel can achieve much higher driving rates than those required to complete the project on time and the tunnel will be driven mostly through chalk marl, an excellent medium for tunnelling, says Warburg.

"We believe the timetable for the drive has been assessed on a conservative basis and that there could be as much as six months slack in the allowed time."

The most difficult stretch would be the first 2.5 miles (4 km) on the French side where the tunnel passes through the upper chalk, much of it severely fissured, younger geologically and harder than the chalk marl. Developments in earth pressure-balanced tunnelling machines meant that although progress would be slower on that section, contractors can overcome the problems. Similar machines had been used by Hochtief, a West German contractor, in building the Lyons metro in France.

Warburg said incentives and penalties in contracts awarded to the Anglo-French construction consortium that will build the tunnel provided the contractors with every incentive to cut delays.

It said complaints that British contractors could neither build to time nor within budget were dated. A study recently completed by the National Economic Development Office had shown that of 25 big projects completed since 1981 only one was significantly late. That project, although five months late, was still completed within budget.

Channel Tunnel contractors using tried and tested equipment and techniques and operating to a timetable that is conservative both in costings and timings should be able to complete the project to the required standard, to time and on budget, says Warburg.

Unisys to launch mini computer

By Terry Dodsworth, Industrial Editor

A RANGE of computers aimed at the fast-expanding market for medium-powered machines is being launched by Unisys, the US data-processing group. The new family, called the A Series Smallframes, is designed to offer more effective competition for minicomputer products

Minicomputer sales have grown strongly in recent years, slowing growth of the conventional high-powered mainframe market.

The Smallframe series, like conventional minicomputers, is targeted for departmental rather than headquarters use. It does not need specially cooled rooms and can be sited in a normal office environment. The system can be housed in a cabinet the size of a two-drawer filing cabinet because of new memory-chip technology.

The Smallframe offers a standard operating system compatible with the rest of the Unisys A Series range. Users can employ the same software throughout computer systems, steadily upgrading from the Smallframe products without losing software investment, a feature widely seen as a strong point of minicomputer companies. Prices of the Smallframe series, which is being introduced across Europe and the US, are from £35,000 to £200,000.

John Griffiths examines the strains on some famous marques

When classic cars have to be rescued

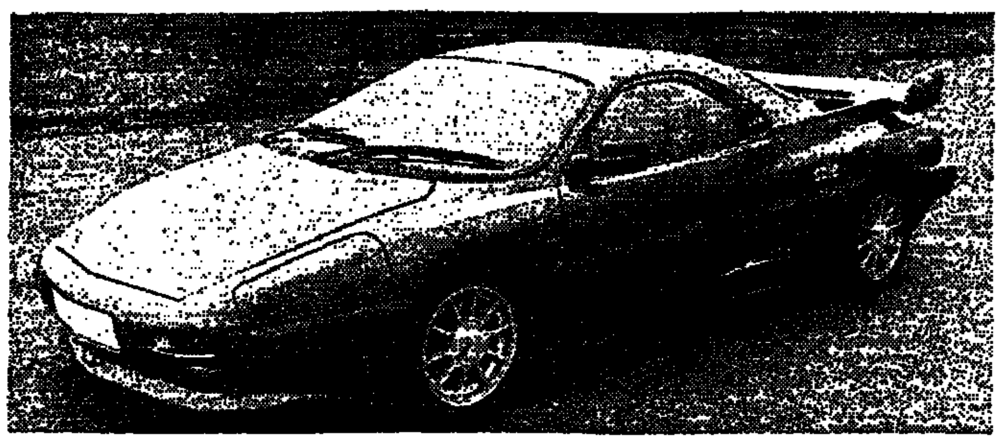
FORD'S TAKEOVER of Aston Martin Lagonda is likely to dispel a long-standing myth among ardent motoring enthusiasts. It is that specialist car makers, whose glamorous image far outstrips their annual output of a few hundred cars, can remain independent yet challenge the industry's giants.

Aston Martin is merely the last surviving specialist British carmaker with an internationally acknowledged pedigree to fall into the hands of either a multinational car producer or other large conglomerate.

Group Lotus, founded by the late racing car engineer Mr Colin Chapman, became a wholly owned subsidiary of General Motors at the beginning of last year. Rolls-Royce Motors is part of the Vickers industrial conglomerate.

Panther is the youngest specialist British car company and the only other one seriously seeking to challenge its modern international competition on level terms. In June, Ssangyong, South Korea's seventh largest industrial group, took an 80 per cent stake in it.

The death of motoring "legends" as independents is not just a British phenomenon. In the past two years, Italy has seen its stable of exotic "supercar" names come under the sway of American multinationals increasingly desperate to buy the prestige that has eluded their own engineering and manufacturing efforts.



The Panther: a British classic sustained by overseas cash

Thus in April Chrysler Motors bought Lamborghini, maker of the 200 mph Countach, from the Geneva-based Mimram family for a reputed $22m (£14m).

Chrysler is likely to have majority control of another Italian "legend," Maserati, by the early 1990s. The American company bought 15.6 per cent from two-thirds owner De Tomaso Industries last year, and has options on up to 51 per cent.

A few other British independents do survive, notably Morgan and TR. But both appeal mainly to an idiosyncratic fringe of buyers nostalgic for relatively crude, open two-seaters.

The common thread running through all the acquisitions is the companies' inability to generate anything like enough cash to replace models. The specialists also find it impossible to develop or even incorporate the proliferating new technology, particularly electronics, that the volume producers are applying to cars.

For a long time, Aston Martin Lagonda and its fellow specialists have effectively been living off their past. They recognise the lengthening odds against them as large producers, themselves now anxious to exploit every conceivable market niche, encroach on their traditional territory. That is the underlying explanation for the string of capitulations.

Mr Alan Curtis, chairman of Group Lotus, admits to heaving a quiet sigh of relief when General Motors bought Lotus for what, in GM terms, was loose change: just over £20m.

As far back as 1981, Lotus announced its intention of launching an all-new £10,000 two-seater, the M90, to lift its production from only 300-400 cars a year to more than 3,000. Instead, as Lotus continued to lurch from one financial crisis to another, the £7m project was repeatedly postponed.

Lotus was profoundly rattled by the emergence from Toyota of the MR 2 mid-engined two-seater. That car not only performed as well as the intended M90, more cheaply than expected, but sent Lotus's design team scuttling back to their drawing boards.

Aston Martin Lagonda has been profitable for the past two years, and Ford emphasised at the takeover announcement that its acquisition of a 75 per cent stake was not to save the company from collapse.

That, or near-collapse, has happened often enough in Aston Martin's 73-year history, and Ford will be its 11th owner.

Like Lotus, Aston Martin was saying in the early 1980s that it would launch a smaller new car, pitched at the Porsche 928/Mercedes market. That project, too, was in the £5m-£7m range and on the original schedule would have been in production last year. Now it is due for the end of next year. Ford says its involvement will make the project more secure.

The rising cost to £2.5m of the Panther Solo 2, the stunning 150 mph two-seater to be announced by the Byfleet, Surrey, company at Frankfurt today, was also behind the acquisition by Ssangyong of its 80 per cent, says South Korean-born chairman Mr Young Chull Kim.

However, Ssangyong, like General Motors with Lotus, Chrysler with its Italian acquisitions, and Ford with Aston, is insisting that Panther will retain its character and its independence.

Industry analysts have emphasised that they will need to. To reduce them to the type of "badge-engineering" prevalent in the 1970s would produce a backlash more counterproductive than if the companies had not been acquired at all.

Massey-Ferguson denies it plans to close production site

MR JOHN SWORD, president of Massey-Ferguson, the agricultural machinery division of the Canadian Varity Corporation, denied yesterday that the company had any plans to close one of its three main European production sites, writes Nick Garnett.

Union officials in the UK have said in the past two months that they believe Massey will soon announce the closure of one of its tractor sites or the shutdown of Varity's Massey construction machinery plant at Trafford near Manchester.

The three tractor plants are at Banner Lane, Coventry; Beauvais, France and the Landini plant in northern Italy. The company also has an axle plant in Como, Italy.

Mr Jim Felker, Mr Sword's predecessor as president of Massey, indicated last year that the company had too much capacity in Europe and would be better off with one fewer production plant.

However, Mr Sword said that the three European tractor plants were all integral to the company's manufacturing structure and there was no intention of changing that. He also said there was no plan to close or reduce the size of the Trafford operation. Some production was moved from Coventry to Manchester in the early 1980s and the Trafford site is actually increasing output.

However, he said that each of the separate plants within Massey-Ferguson were required to perform properly and make profits.

Massey-Ferguson has been reducing its workforce worldwide from 6,850 in the middle of last year to an expected figure of 5,300 by the end of this year. Most of the job losses have been in the UK.

UK NEWS – THE TUC AT BLACKPOOL

TUC chiefs censured over Wapping again

THE TUC General Council was censured by Congress for the second consecutive year for its handling of the News International dispute at Wapping.

Delegates voted overwhelmingly to "refer back"—or reject—the general council's official account of the dispute.

The vote was carried after leaders of the two main print unions, Sogat '82 and the NGA, had strongly attacked the TUC leadership for its refusal in November to re-open disciplinary procedures against the EETPU electricians' union.

Mr Danny Sergeant, Sogat president, described as a "cop out" the view of Mr Norman Willis, TUC general secretary, that under TUC rules and natural justice, the EETPU would be put in double jeapardy by being tried twice for the same offence.

Mr Tony Dubbins, NGA general secretary, referred to recent reports alleging that EETPU officials had resumed secret contacts with News International in spite of instructions from the general council that the union was to cease all non-contractual arrangements with the company.

The instructions were issued after an initial inquiry had found the EETPU guilty of five out of seven charges of conduct detrimental to the trade union movement.

Mr Dubbins said of the EETPU: "Never in the history of the trade union movement has any union acted in such an unprincipled, unscrupulous, and dishonest way."

Reports by Philip Bassett, Charles Leadbeater, Jimmy Burns and John Gapper
Pictures: Alan Harper

He argued that the "very existence of the TUC" would be placed "in jeopardy" unless the leadership showed itself willing to "protect its members and uphold basic union rights."

Yesterday's vote on Wapping was a setback for Mr Willis, who had been anxious to avoid the issue of News International fuelling the conflict between the EETPU and left wing trade unionists.

During the debate he again justified his policy on the principle of double jeopardy and warned that the print leaders' offensive was heading the TUC into a "constitutional morass."

Mr Willis said: "Sticking to the rules is sometimes unpopular. But we should always remember that the most important reason to have rules is when feelings run high."

Following yesterday's debate, print leaders indicated that Mr Willis would find it difficult to resist the pressure to act more forcefully towards the EETPU.

A moment of serious contemplation for Fred Jarvis, TUC president and Norman Willis, general secretary

Mr Dubbins said that he did not believe the TUC leadership would go against a congress resolution for the second year running.

"The vote has opened the door for the investigation of further allegations that have come to light with respect to the flaunting of TUC directives," Mr Dubbins said.

Mr Dubbins said that he felt partly reassured by Mr Willis's pledge to congress that "no union or individual should have any doubt" about his determination to take displinary action against those who had broken directives on Wapping.

After the vote, Mr Eric Hammond, EETPU general secretary, said that the union would report to the TUC the outcome of its own internal investigations into the issue.

But he insisted that the union had not broken with the TUC's directives, and said he knew of no substance in the allegations which had been made in the Guardian newspaper, though he would be writing to the paper to demand back the documents on which they were based.

The vote will probably have little practical impact. Whether the TUC brings further disciplinary action against the EETPU will depend on the result of its own internal inquiry.

In an interview last week, Mr Steve Seaman, the former chairman of the salaried staffs council at Wapping, alleged that the EETPU had secretly become involved in a series of organising moves at the plant.

The caped crusader bows in at seaside

A RADICAL new contender to lead Britain's trade unions into the 21st century emerged from the shadows yesterday—Batman.

With hindsight, the caped crusader's influence on the movement has been obvious for some time. His strategy of crisis management conducted from remote stately mansions holds increasing sway among the new union thinkers.

But his cover has finally been blown by this year's congress platform display. From the Gotham City school of graphic design, it features triumphant orange capital letters leaping across a grey background so energetically that they burst out of the side.

Viewers will recall that this type of comic strip technique was last used for Batman and Robin's lengthy fights with masked villains. "Wham! . . . Pow! . . . Oof!" announced similarly garish caption bubbles as the Batfist connected with various chins.

But what's this? Holy Composite, can it really be true? Is the Penguin, that dastardly villain whose evil tricks dog the citizens of this peaceful seaside metropolis, really sitting on the congress platform? Or is it just Clive Jenkins?

That face looks familiar too. Why did no one twig before that congress's youthful, fresh-faced deputy secretary John Monks is a dead ringer for Robin? But why is he sitting next to the Joker? And why is the Joker pretending to be called Norman Willis?

It's been a peaceful morning here in Gotham City. The fraternal speech from the Canadian trade union leader has passed off successfully, after the General Council delegated Rodney Bickerstaffe to look interested on its behalf.

But wait! Holy Wapping! There's a fight brewing on the congress floor. Get on the Batphone, Commissioner Jarvis, the print unions are trying to refer back our report on the electricians. That man who looks like the Penguin's chief henchman is Tony Dubbins.

"Bam! . . . Whop! . . . Kerpow!" Tony is doing what he does best — laying into Eric Hammond. It's no good, there's no reply from Batman; we're going to have to rely on the Joker instead. Just tell him to stick to the script.

The Joker rises dolefully. This is his chance to prove his serious credentials and get into the expanding employment area of part-time crimefighters. He starts on a mournful resume of who did what to whom, and whose orders they were disobeying at the time.

There is some giggling from the floor. The Joker sighs deeply at the frivolous nature of his audience. "Do not laugh at something that is vital," he pleads in an attempt to get them to abandon another much-loved old tradition.

But the floor is getting impatient at having to treat the Joker seriously. What's happened to him? He always used to be good for a laugh. A sea of hands rejects his dirge-like appeal and he sits down wearily.

Campaign urged to fight laws curbing union democracy

DELEGATES unanimously endorsed a motion calling on the TUC to mount a campaign against the Government's proposed legislation on trade union democracy, with the aim of winning wide support outside the union movement, as well among union members.

Speakers concentrated their attacks on the provisions intended to prevent unions from disciplining members who flout a ballot for industrial action by continuing to work. Mr Jimmy Knapp, leader of the National Union of Railwaymen, said this would have damaging consequences for union democracy and industrial relations.

He said the proposals would undermine the credibility of pre-strike secret ballots, lead to more unofficial action, and sour relations on the shopfloor. He claimed the Government was more interested in promoting the rights of individuals than in encouraging democratic decision-making.

Mr Robin Smith, of the Institution of Civil and Public Servants, a worker at the Government's GCHQ communications centre at Cheltenham, accused the Government of hypocrisy. It had no right to talk of democracy in union affairs when it had tried to blackmail trade unionists at GCHQ to give up their union membership, he said.

Mr Simon Petch, general secretary of the Society of Telecom Executives, the midle managers' union at British Telecom, said the proposed legislation breached International Labour Organisations conventions. He said workers needed strengthened rights against unfair dismissal during industrial action, rather than impunity to break the rules of their union.

Mr John Macreadie, the deputy general secretary of the CPSA civil servants' union, a supporter of the Militant Tendency, said opposition to the legislation needed to be backed by a campaign of industrial action. But Mr John Sheldon, leader of the Civil Service Union, reminded him that they had still not won the arguments of ideas with the public. An opinion poll published over the weekend found that more than 70 per cent of the public supported further union legislation.

He warned that the legislation would promote the growth of breakaway, strike-free unions in the public service. There were already staff associations in the Ministry of Defence and the immigration service and others would be formed, he predicted.

Congress also unanimously supported a motion condemning the weakening of employment protection legislation covering health and safety, legally enforceble minimum rates of pay, holiday provisions and other employment rights.

Mr Garfield Davies, leader of Usdaw, the shopworkers' union, said moves to weaken employment protection legislation would most severely affect part-timers, blacks, women and young workers. The most vulnerable groups were the most difficult for the unions to organise, he said.

He called on the TUC to mount a campaign to raise public awareness of the issues, highlighting those considered vital by these groups, and to encourage unions to adopt these goals in their collective bargaining. The campaign should centre on the aims of ending low pay, promoting equal pay for work of equal value, establishing equal employment rights for part time workers, and establishing a fully comprehensive social security system to promote higher incomes for insecure workers.

Supporting the motion Mr David Lambert, of the national Union of Hosiery and Knitwear Workers, said the problems stemmed from the changing structure of industry, with the growth of employment in smaller companies, as well as from the changing character of the labour force.

Employment conditions in small companies were far worse than in large companies, he said.

Slight gain for left in general council poll

LEFT-WINGERS slightly increased their representation on the TUC General Council on the basis of election results declared to the congress.

However, the centre and right still command a substantial majority on the general council, which will lend support to Mr Norman Willis, TUC general secretary.

The principal left gain is the move on to the council of Militant supporter Mr John Macreadie, deputy general secretary of the CPSA civil servants' union.

But some on the union left were also pointing with satisfaction to a change in the membership of the women's section of the council, where a voting switch saw the shopworkers' union Usdaw gain a seat held for long by the white-collar ASTMS.

Previously, the seat had been help by Baroness Muriel Turner who retires this week as ASTMS deputy general secretary.

The Council remains broadly unchanged, though this may not be the case next year if the TUC-registered membership of the National Union of Mineworkers falls to below 100,000, which would put it into Section B of the council, which again yesterday returned all 11 right-wingers.

Newcomers to the General Council are: Ms Rita Donaghy, who chairs the executive of the local government union Nalgo, and who will vote with the left on the General Council. So too will Mr Macreadie and the two new faces from the public employees' union Nupe. Mr Ron Baird, this year's Nupe president, is an electrician at North Tees district hospital, and Mrs Ina Love, the union's vice-president and employed at Stobhill General hospital in Glasgow.

Ms Hillon, the final new face, is the first national women's officer of Usdaw, 61 per cent of whose members are women, and an equal rights specialist. The full General Council is:

Section A—unions with more than 100,000 members (automatically elected). Transport and General Workers' Union (TGWU): Ron Todd (general secretary—GS), Brian Nicholson, Wilf Jowett, Larry Smith, Amalgamated Engineering Union (AEU): Bill Jordan (president), John Weakley, Jack Whyman, General, Municipal and Boilermakers' Union (GMB): John Edmonds (GS), Derek Gladwin, Dick Pickering, National and Local Government Officers' Association (Nalgo): John Daly (GS), Rita Donaghy, Norris Steele, National Union of Public Employees (Nupe): Rodney Bickerstaffe (GS), Ron Baird, Association of Scientific, Technical and Managerial Staffs (ASTMS): Clive Jenkins (GS), Banking, Insurance and Finance Union (Bifu): Leif Mills (GS), Civil and Public Services Association (CPSA): John Macreadie, Confederation of Health Service Employees (Cohse): Hector MacKenzie (GS), Electrical, Electronic, Telecommunication, Plumbing Union (EETPU): Eric Hammond (GS), National Association of Schoolmasters / Union of Women Teachers (NAS/UWT): Fred Smithies (GS), National Communications Union (NCU): John Golding (GS).

National Graphical Association (1982) (NGA): Tony Dubbins (GS), National Union of Mineworkers (NUM): Arthur Scargill (President), National Union of Railwaymen (NUR): Jimmy Knapp (GS), National Union of Teachers (NUT): Fred Jarvis (GS), Society of Graphical and Allied Trades '82 (Sogat): Brenda Dean (GS), Tass: Ken Gill (GS), Union of Communication Workers (UCW): Alan Tuffin (GS), Union of Construction, Allied Trades and Technicians (Ucatt): Albert Williams (GS), Union of Shop, Distributive, Allied Workers (Usdaw): Garfield Davies (GS).

Section B—unions with fewer than 100,000 members. Inland Revenue Staff Federation (IRSF): Tony Christopher (GS)—924,000 votes, Iron and Steel Trades Confederation (ISTC): Roy Evans (GS)—818,000, Association of Professional, Executive, Clerical and Computer Staff (Apex): Roy Grantham (GS)—811,000, National Union of Hosiery, Knitwear Workers (NUHKW): David Lambert (GS)—849,000, Transport Salaried Staffs' Association (TSSA): Bert Lyons (GS)—839,000, Engineers' and Managers' Association (EMA): John Lyons (GS)—850,000, Institution of Professional Civil Servants (IPCS): Bill McCall (GS)—895,000, Musicians' Union (MU): John Morton (GS)—986,000, National Union of Marine, Aviation and Shipping Transport Officers (Numast): Eric Nevin (GS)—860,000, National Union of Tailors and Garment Workers (NUTGW): Alec Smith (GS)—863,000, National Union of the Footwear, Leather and Allied Trades (Nuflat): Bob Stevenson (GS)—812,000.

Section C—women. Usdaw: Bernadette Hillon—4,163,000. NUPE: Ina Love—7,858,000. Nalgo: Ada Maddocks—8,437,000, AEU: Gina Morgan—7,430,000, TGWU: Margaret Prosser—8,892,000, GMB: Pat Turner—7,496,000.

David Brindle on the views of outspoken Militant supporter Macreadie

The man who won't pull punches in council

BARELY HAD congress begun this week when delegates were hearing the forthright views of Mr John Macreadie, the Militant Tendency supporter about the join the TUC General Council.

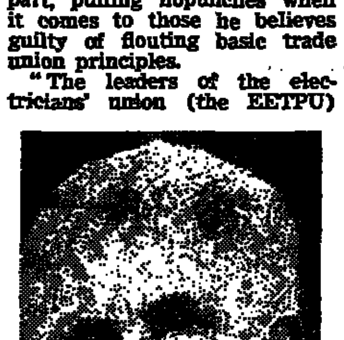
No-strike deals were collaboration with the employers, he declared. The issue should be thrashed out openly on the floor of congress and not in smoke-filled rooms behind closed doors.

That delegates overwhelmingly backed the smoke-filled rooms option is unlikely to deter Mr Macreadie, the 40-year-old deputy general secretary of the CPSA civil servants' union.

He promises to speak "openly and honestly" on the general council. By which he means, in part, pulling nopunches when it comes to those he believes guilty of flouting basic trade union principles.

"The leaders of the electricians' union (the EETPU) have in my mind scabbed and collaborated with the employers, selling not only their own members' rights but also the rights of other workers as well," he says.

"If that is the road they are going to carry, on going down, then as far as I am concerned there is no place for them in the TUC."



John Macreadie:

In Mr Macreadie's philosophy, the business unionism practised by the EETPU is nothing more than defeatism. So, too, is any brand of "new unionism" or "new realism." Their advocates are, he maintains, misguided pessimists.

"Their view is that there is nothing you can do—the working class is no longer a class, therefore you have got to reach accommodations, got to compromise, got to collaborate, got to lay down and play dead.

"But the Tories and the employers know that potentially the trade union movement—the working people of Britain—are the most powerful force

All that is lacking, he says, is strong leadership. Since the CPSA began its pay strikes this year and the hard left took control of the union, there has been a net gain of members: ergo, if every union fought in the same way, the TUC would be prospering.

Suffice to say, Mr Macreadie is not a great fan of TUC bureaucracy or of congress itself.

"Our attitude," he says on behalf of the CPSA's Militant-led national executive committee, "is that it is a stage-managed charade with composite motions which go on for ever and mean all things to all men, which fudge and dodge the issues and are never implemented."

Fudging and dodging is what he says the CPSA deliberately did not do earlier this summer when it asked its 149,000 members to stage an indefinite pay strike — and was roundly rebuffed.

Mr Macreadie is now leading the CPSA's negotiations with the Treasury on a possible long-term pay deal. But he admits the chances of such a deal are slim given his and the union's refusal to countenance regional pay variation, merit pay or indeed "flexible pay" of any kind.

The alternative, he says, will be another attempt next year to deliver an all-out national strike—"the only way to stand any chance of persuading this Government to play fair and to meet our demands."

If the membership again rejects the idea, then so bad. There is always the year after that.

"The fact is that the whole mood of the union is gradually moving our way," he says with a certainty unique in Blackpool this week.

Labour 'unclear on policy'

LABOUR was unclear and uncertain on some key policy aspects in the general election, Mr Sid Tierney, chairman of the Labour Party national executive, told congress.

Praising the Labour Party's "tremendous effort" in the election, and the party's best-ever campaign, Mr Tierney said that, of course, the party made mistakes.

"We were unclear and uncertain on some aspects of policy, particularly on taxation and the economy," though he added that the Conservatives won primarily because they convinced a substantial proportion of the electorate that the economy was improving and prosperity increasing.

Mr Tierney, president of the shopworkers' union Usdaw, acknowledged that Labour failed to mobilise the maximum trade union vote for the party, though he claimed that the party and the unions worked closer in the election than ever before.

Even so, a majority of union members did not vote Labour, and Labour's share of the trade union vote improved by only 3 per cent on its record low performance in 1983.

He said: "Too many trade union members make critical noises from the touchline, but never get involved. Some prefer purist impotence to active responsibility. Far too many fail to understand the vital link between political action and the industrial objectives of trade unions."

Youth conference to be replaced by forum plan

THE TUC is to go ahead with a planned "youth forum" after Congress yesterday rejected counter-proposals to give more powers to the existing annual youth conference.

There has been a long-running debate among TUC unions about how to increase the involvement of young trade unionists and thereby appeal more to young workers outside the movement.

Yesterday's decision approves the TUC General Council's youth forum plan, which will bring six council members and 12 young union nominees together three times a year—in addition to a wider conference—to discuss issues

On a card vote of 5,632,000 to 2,196,000 congress rejected a call from the Banking, Insurance and Finance Union for a further review of the existing youth conference with a view to allowing it to debate resolutions.

Mr Roy Grantham, for the general council, told delegates that the Bifu proposal would mean a year's further delay when viable reforms were ready for immediate implementation.

● The TUC is to campaign against the implementation of many of the main provisions of the Social Security Act 1986, which will be introduced next year, including changes to occupational pensions, replacement of Supplementary Benefit with Income Support and a Social Fund, and a Family Credit scheme to replace family income supplement.

Delegates unanimously supported a motion which called on the Government to set a death grant of £450, substantially increase statutory sick pay, and analyse the way schemes such as the Restart programme exclude unemployed people from claiming benefit.

Better terms sought for part-time workers

DELEGATES gave overwhelming support to a motion urging maximum union organisation of temporary workers.

The motion, which received vocal support from right- and left-wing speakers, recognised the growth of temporary and part-time labour and called for its protection through collective bargaining and legislation.

Miss Ada Maddocks, a member of the TUC General Council's women's section, said that 5m workers—about one in five of Britain's labour force—were employed part-time.

She said that the majority of these workers were women whose pay was "appallingly low."

"What the Government calls deregulation we call exploitation. They (temporary workers) are treated like second-class citizens. That has to change," Miss Maddocks said.

Mr Bill Morris, deputy general secretary of the TGWU, said the trade union movement union movement could not afford to stand idly by.

"We need to get hold of these developments, humanise them, and get them under control," he said.

The resolution carried by congress calls for temporary and part-time workers to receive rights, terms and conditions equivalent to those which permanent full-time workers receive.

Some speakers drew particular attention to the misuse of child labour in temporary work.

Mr Dave Buckley, for the could not afford to stand idly by. NAS/UWT, described as a "scandal in our society" the use of underpaid under-age workers as a form of cheap and flexible labour.

Mr Buckley said that successive governments had failed to implement the provision of 1973 legislation which limits the hours worked by children and the nature of work undertaken.

Any attempt to privatise prisons will be opposed

CONGRESS VOTED unanimously to campaign against any form of privatisation of prisons and any attempt to bar prison staff from taking industrial action.

At the prompting of the Napo probation officers' union, delegates also voted to oppose introduction of "electronic tagging" of offenders as a means of keeping check on their whereabouts.

Mr John Randall, deputy general secretary of the Civil Service Union, representing prison instructors, said talk of a commercial "international prison market" raised prospects of dealing in prison futures in the City and exportation of soccer hooligans.

"We cannot allow the profit motive to determine penal policy," Mr Randall said. "That would be a major backward step."

Mr John Bartell, president of the Prison Officers' Association, told congress that POA delegations to the US had found private prisons to be inadequately staffed, poorly paid and non-unionised.

"Many prisoners were kept in conditions resembling those of a cattle market," Mr Bartell said.

OTHER LABOUR NEWS

CPSA leader to lose his limousine

By David Brindle, Labour Correspondent

LEFT-WING leaders of the CPSA civil servants' union are to withdraw the car provided for Mr John Ellis, the union's general secretary.

The decision to sell the car is the latest move by the union's national executive committee to bring the earnings and benefits of its senior officers closer to those of its members.

The executive has also given Mr Ellis, who earns £26,000 a year, and two other top officials, a pay rise of only £5.25 a week, compared with £10.25 for all other CPSA employees.

Mr Ellis has been in conflict with the majority on the executive since the union's Broad Left faction, led by Militant Tendency supporters, took control in elections earlier this year.

He was told last week that the executive intended to sell his car, a five-year-old Opel Senator. He was given a couple of weeks to buy himself a replacement.

Mrs Doreen Purvis, a leading executive member, yesterday described the decision as "prudent and sensible" in view of the costs of the car and the financial pressures on the union.

"We represent people taking home £80 a week and paying union dues of £1 a week," she said. "It is a bit of an insult for them to see the top brass getting so much money."

British Coal to meet NUM executive

BY CHARLES LEADBEATER, LABOUR STAFF

BRITISH COAL will meet the National Union of Mineworkers' 22-strong national executive on Monday for talks aimed at resolving their long running dispute over the corporation's revised disciplinary code which was introduced in March.

Many executive members expect the talks to last at least 48 hours in an attempt to resolve the issue before the executive's regular monthly meeting next Thursday. This meeting will decide whether the union should implement a national overtime ban from September 21 the following Monday.

The corporation will meet the Union of Democratic Mineworkers on Friday.

The NUM executive voted on Sunday to impose an overtime ban from that date. Miners decided by a 77.5 per cent majority for industrial action short of strike action in a ballot during July and August.

The outcome of the talks will hinge on whether British Coal is prepared to allow a role for independent arbitration in the disciplinary procedures. It is thought that delegates from North Derbyshire and the North-east hold the balance of power on the executive.

On Sunday the executive voted by 12 votes to 9 to set a date for industrial action. Should North Derbyshire and delegates from the North-east switch sides after the talks, the result would be reversed.

The corporation accused Mr Arthur Scargill, NUM president, of pre-empting the union's national executive by dismissing the corporation's proposed amendments to the code before the union's executiv could consider them.

The announcement of the date for talks came as Mr Scargill accused the corporation of hypocrisy over its insistence that disciplinary procedures cannot include independent arbitration.

Mr Scargill said British Coal had abided by the adjudication of an independent arbiter in a dispute in August in the South Yorkshire coalfield. The dispute centred on whether two miners, reinstated following their dismissal from Hickleton colliery during the 1984-85 strike, should be paid an allowance for being re-employed at nearby Markham Main colliery.

The arbiter from Acas, the conciliation service, found in the union's favour. Mr Scargill said this was clear evidence the corporation was prepared to involve independent arbiters in disciplinary issues.

British Coal said the use of an independent arbiter in the case had no bearing on the disciplinary code as the payment of allowances to miners transferring pits was not a disciplinary matter.

Statutory minimum pay 'will cut unemployment'

A STATUTORY minimum wage of half average earnings would increase the national wage bill by less than 1 per cent and reduce unemployment by at least 10,000, according to an academic report presented yesterday at congress.

The report, by two members of the Cambridge University Department of Applied Economics was commissioned by three unions to support their arguments that low wages discourage investment and cause inefficiency

It includes an analysis of the effect in various sectors of the economy of setting a minimum wage rate, and calculates that one of half average earnings—£2.40 an hour — would help 3.5m low paid workers.

Mr Rodney Bickerstaffe, general secretary of the Public services union NUPE, said yesterday that the report was a "damning indictment" of government policies

The report—Cheap Labour: Britain's false economy, by Dr Peter Brosnam and Mr Frank Wilkinson calculates that such a minimum wage would cost an additional £392m, but that tax revenue would increase by about £700m and there would be additional savings through reduced benefit payments.

It was commissioned by NUPE, the GMB general union and the USDAW shopworkers union. Mr John Edmonds, GMB general secretary said that it undermines the "shabby argument" that a minimum wage would be a drain on the economy.

CEGB break-up would be 'costly and inefficient'

A PAPER arguing that the breaking up of the Central Electricity Generating Board would be impractical and raise costs was published yesterday by the TUC-affiliated Engineers' and Managers' Association.

The paper, prepared for Mr Cecil Parkinson, the Energy Secretary, says that effective competition on the generation of national power is not possible and a CEGB break-up would lower efficiency. It adds that such a break-up would also create "unprecedented staffing complexities" and the association would be bound to oppose such a move on the grounds of staff interest alone.

Separating the national grid as part of any break-up would be "destabilising, confusing, inefficient, and costly to the electricity consumer," it says.

The paper, from the EMA's electrical power engineers section, is being submitted to Mr Parkinson in the lead-up to the first Cabinet committee meeting to discuss how privatisation of the electrical supply industry will be carried out.

Ferry safety call

A MOTION calling for the Government and international agencies to ensure there could be no repetition of the Zeebrugge ferry disaster was passed by congress after an impassioned speech on behalf of the Herald of Free Enterprise's crew.

LBS joins FT to offer design award

Financial Times Reporter

THE FINANCIAL TIMES and London Business School have announced their first joint Design Management Award competition.

The award, which ranges much more widely than other UK design competitions, is intended to recognise organisations that demonstrate a thorough commitment to design and successful management of it across their spectrum of activities, including products and/or services, communications, and environments.

The competition is open to all companies and organisations in the UK, whether in the private or public sector, provided they generate and carry out a broad range of design work in Britain. Organisations that provide design services or promote design are not eligible. The winner will be announced and presented with the award in mid-1988, and the closing date for entries is November 16.

The judging panel for the FT/LBS award comprises executives, design managers and others from a wide range of organisations in addition to the FT and LBS. They include APV/Baker, engineering manufacture); DEGW (architecture and space planning); 3i (corporate finance); Marlin Lighting; Penhaligon (perfumery and retailing); Sabre International Textiles (clothing).

Adjudication will be carried out under the guidance of a committee comprising James Pilditch (chairman), founder of AID, one of Britain's largest design consultancies and council member of the Royal Society of Arts; Frank Barlow, chief executive, Financial Times; Simon Hornby, chairman of the Design Council; David Maroni, a director of British Olivetti; and Sir Peter Parker, chairman of the LBS Design Management Unit Advisory Committee.

Application forms may be obtained from Peter Gorb at London Business School, Sussex Place, Regent's Park, London NW1 4SA.

Why islands are facing job curbs

The Channel Islands are acting to restrict rapid population growth, reports Edward Owen

JERSEY and Guernsey are looking to employment controls to try to resolve their main difficulty: the effect on housing and social services of rapid economic growth.

Alarm was felt in both islands at the rate of immigration disclosed by the last census. It showed that over the previous five years, Jersey's population had risen by 4,162 and Guernsey's by 2,169. The indications are that immigration has continued high since the census in March 1986.

Jersey's main response has been to extend powers under the island's Regulation of Undertakings and Development Law, introduced in 1973 to limit job creation by controlling building and the setting-up of new businesses.

Until now, the law has allowed the statutory finance and economics committee to control the number of new staff employed only when a business is enlarging premises or moving to new ones.

The States, the island's parliament, passed an amendment on August 18 requiring a licence for any business, including the self-employed, to take on extra staff. Dispensations are expected for sectors such as tourism and building, which need to import seasonal or other short-term labour. All employers except the self-employed will have to submit quarterly returns of staff on their payrolls.

Although the new controls were agreed in principle by local MPs in January, there was unprecedented opposition from the island's professional and business community when the enabling legislation came before the States.

The Jersey Bankers' Association, Institute of Directors, Jersey Chamber of Commerce and Industry and clearing bank managers joined in giving warnings that the proposed measures would be unworkable and endanger economic growth.

But in spite of the strong lobbying, the legislation had a surprisingly easy passage through the States, and no member seriously challenged it.

Senator Reg Jeune, president of the finance and economics committee, has given assurances that the controls will not hamper worthwhile business expansion. His committee is to meet professional and business organisations for detailed discussions before the new law is implemented.

Meanwhile, Geurnsey's proposed new employment controls are due to be debated by that island's parliament on September 30. There has been some lobbying to postpone the debate until November, when a report on the local economy by consultants Peak Marwick McLintock should have been published.

Guernsey has nothing comparable to Jersey's Regulation of Undertakings and Development Law, and the island's advisory and finance committee appears reluctant to bring in such a sweeping control.

The committee plans instead to introduce a system of what are in effect work permits, described officially as employment licences. Anyone arriving in the island on or after July 24 this year would need a licence to take a job or set up in business. The number of licences available to each sector of the economy would be decided annually.

People living in Guernsey on July 24 would not be affected unless they changed their jobs. They would then have to produce either an exemption certificate showing they were in the island on the prescribed date or a "status declaration" proving they had residential qualifications.

The committee says a preliminary report by Peat Marwick McLintock has given a warning that continued economic growth at the present rate might put "unsustainable" pressures on the island's social structure and environment.

Although there have been signs of impending strong opposition from the business community — mostly, so far, privately-voiced — the real public debate in Guernsey has yet to take place. The 527-strong chamber of commerce has been circulating members with the cases for and against the employment controls and inviting their views.

The case in favour is that the island's housing laws, the only existing brake on population growth, have not proved an adequate control. Of the alternatives "employment licences would put the least burden on the local population and are considered to be the least complex form of control," explains the chamber.

The chamber's more detailed case against the new measures, questions whether employment licences will check the growth of job opportunities: It warns that one result is likely to be a local wage explosion, reducing the competitiveness of Guernsey's industries and putting some firms out of business.

The proposed annual allocation of licences to different economic sectors is seen as requiring complicated and labour-intensive official investigation.

It is also argued that the employment controls would take away one of the main attractions of setting up a business in Guernsey, described as "freedom from bureaucratic control and petty restrictions," and threaten business confidence and future investment.

BA-BCal 'should yield routes'

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

A MERGED British Airways and British Caledonian should relinquish some of its European routes to airlines such as British Midland and Dan-Air, the Scottish Council of Development and Industry recommends in a submission to the Monopolies and Mergers Commission on the proposed merger of the two airlines.

The council, which represents businessmen as well as other groups in Scotland, says it does not welcome the merger but accepts that it is "the best and possibly the only solution in current circumstances."

It says British Caledonian's difficulties are largely the result of the Government refusal to grant it enough routes.

The council does not expect the merger to result in any loss of choice on routes between London and Scotland, provided British Midland and Dan-Air keep their existing services on those routes.

However, it fears that those airlines' services might be at risk in the long term because they do not have the same possibilities as British Airways and British Caledonian to cross-subsidise them from other routes.

It says both British Airways and British Caledonian have said for many years that their Anglo-Scottish routes are unprofitable and can only be justified as feeders for other services.

The council, therefore, suggests that if the merged group relinquishes some European services on which both British Airways and British Caledonian compete, the Government should give first consideration to applications for them from British Midland and Dan-Air, to strengthen those airlines' networks from Heathrow and Gatwick.

Consumption of alcohol rising brewers claim

Financial Times Reporter

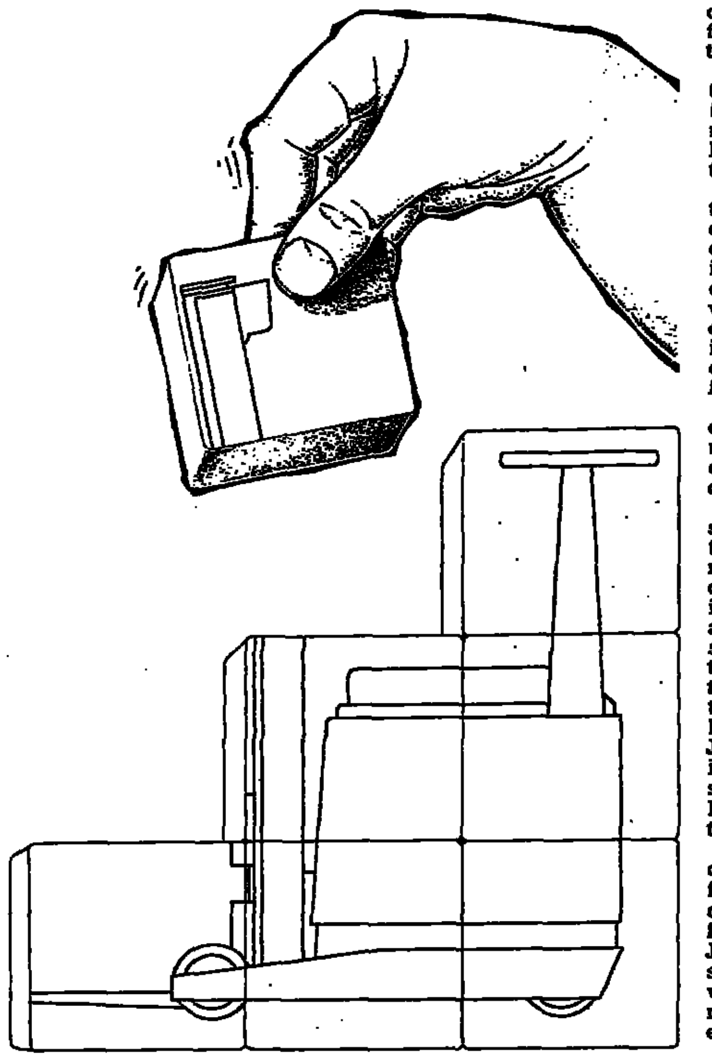
BRITAIN IS now 20th in the world league table for alcohol consumption, having moved up from 22nd place the year before, according to annual figures published yesterday by the Brewers' Society.

Total consumption is now 7.1 litres a head of pure alcohol a year, compared with 7.0 litres, well behind France, which is at the top of the league with 13.9 litres.

Britain is also 20th in the world spirit league, drinking 4.3 litres each a year, after having moved up from 21st.

March of the modular

Nick Garnett examines lift truck production methods at Jungheinrich



IT IS AN uncomfortable fact of life for the manufacturers of most types of machinery that the world labours under huge amounts of overcapacity in production plant.

Many equipment producers react to this by doing very little. They continue to employ the same manufacturing techniques they have used for years. Survival becomes a matter of faith and often the result of luck.

Other companies strive to snatch any and every competitive advantage, believing that many of the battles that will sort out the winners from the losers have yet to be fought.

Lift truck manufacturing is one example of the way some of the more forward-thinking producers are beginning to adopt a similar philosophy towards designing and assembling forklifts in order to lower production costs. At the heart of the techniques which they are introducing is what is often referred to as 'modular' building.

A number of companies, including Linde, the large West German manufacturer have moved into this type of production. And Lansing Bagnall of the UK has adopted the same philosophy for order-picker and hand-pallet trucks made at its West German plant.

But it is Jungheinrich, the West German producer of specialist reach trucks, hand-pallet trucks and narrow-aisle vehicles used in warehousing and distribution, which claims to have taken this concept further than anyone else.

Eckhardt Kottkamp, Jungheinrich's technical director explains the philosophy: 'You have to aim for the lowest number of parts to get the highest number of variations offered to the customer. Everything is measured against that goal.

'Those companies in the fiercely competitive lift truck industry which do not follow this route will have a hard time.'

Proving that in mature businesses heavy capital investment is still part of the game the new manufacturing programme at Jungheinrich is linked to a relatively new plant built by the company at Norderstedt, Hamburg in the early 1980s. The cost of this plant and its steady conversion to modular assembly has been DM65m(£22m). Further expenditure, well into double figures, is likely to be made on new plant for component manufacturing.

Lift trucks are made up of several component groupings. These include the chassis, carrying mast, driver's compartment and drive unit.

With the help of computer aided design and engineering, Jungheinrich has now simplified its component range by obtaining what it says is the best mix between optimising performance of a truck and the need to reduce variations in componentry to the lowest possible cost level.

This is important because a typical reach truck - where the mast moves forward hydraulically from the body - is made up of about 1,000 components. Customers require a wide range of configurations based on mast height, driver cab specifications and battery sizes to power the motors. The size of the battery also governs the type of chassis necessary to meet the specification demanded by the customer.

In most lift truck plants, assembly of each of the main elements that make up a lift truck is carried out in one factory area. All the masts for example for all the different types and sizes of trucks a company makes are assembled at one location in the plant while all the chassis are put together somewhere else.

At Jungheinrich the use of computer aided design and modular assembly methods is changing the face of the shopfloor. Now, Norderstedt is being reorganised into product lines. For example, there is one line for reach trucks. On this line all assembly work for that model range will be carried out, and the vehicle put together rather like a Lego set. This line concept starts at the welding process, further into metal manufacturing than at any other lift truck plant, the company says.

So far Jungheinrich's reach trucks are based on fully fledged 'modular systems engineering' and this will be followed soon by powered-pallet trucks and stacker vehicles.

Jungheinrich has encountered many difficulties in changing its production methods. Perhaps inevitably it ran into difficulties with some of its computer software and the whole system is taking considerably longer than expected to install. The programme will eventually stretch over three to four years.

But Kottkamp says total production costs using the company's new production methods can be reduced by about 10 per cent, and perhaps by more.

Another major benefit, he says, is that it should be easier to organise the flow of components around the factory and reduce inventories closer to just-in-time levels. "Function" cells along the line, which will be responsible for building up sections of the truck, are beginning to control their own materials through computer terminals linked to a central computer. Jungheinrich's aim is to bring inventories down to four weeks' stock and to reduce its own delivery times to two weeks from the initial order.

Hyster, a large US lift truck company, has probably gone further down the road than anyone else on automating manufacturing. But Kottkamp says Jungheinrich's view is that it should try and automate only where it can. "Automation has no purpose in its own right,' he explains.

Computer aided engineering is a big boon to the company. It has been crucial in mast design for new ranges of forklifts. Starting with 30 possible basic mast designs, engineers whittled these down to three and then to one design offering what the company says is the optimum balance between size, strength and flexibility. However, Kottkamp believes that it will not be necessary to link up computer aided design equipment direct to the shopfloor in order to drive production machine tools.

There is one irony about these new systems of assembly and component supply which has not been lost on lift-truck makers. As manufacturers, they will themselves require fewer forklifts in their own factories. "That is for sure," says Kottkamp.

WORTH WATCHING

Edited by Geoffrey Charlish

Massey reaps a better harvest

MASSEY-FERGUSON has developed a computer-based system for its M-F 38 combine harvester that allows farmers to get accurate information about their crop yields while harvesting is in progress.

While moving over the field, the operator can check on the cereal yield at any place and a clear picture can be built up about the 'good' and 'bad' locations. Accordingly, subsequent cultivation can then be planned to achieve the most cost-effective outputs from each field.

A lot of other information, some of it graphical, is provided on a nine-inch TV screen mounted at eye level in the cab. For example, the operator can call up data about machine supervision, harvesting and servicing. Any on-screen information can be printed out if desired.

How industry can take a firmer grip

BOSTIK, THE UK adhesive manufacturer, has developed Supergrip 2000, a product which it believes will offer important advantages to industry.

Manufacturers customarily use either hot-melt adhesives, which have the advantage of rapid setting and easy application, or epoxy systems which may take time to cure but offer great strength and are not subject to re-melting if subject to high enough temperatures.

Supergrip imitates the action of hot-melt products initially, but then goes on to cure like an epoxy resin, giving strength and durability without loss of elasticity. An added advantage is that Supergrip 2000 can be used at relatively low temperatures and so can be used to join heat-sensitive materials.

Bostik foresees wide use, from car manufacture to furniture making. It points out that there is no need for fume extraction, no unpleasant odours, no pre-mixing of adhesive components, no need to clamp joined parts for hours and no worries about the pot life of the adhesive.

Ford mechanics get expert advice

IT IS ALL very well having clever new electronic features in your car, but what happens if they go wrong? The average automobile mechanic is not trained to deal with, for example, microprocessor speed control systems, writes Louise Kehoe in San Francisco.

To address this problem, Ford's Parts and Service Division has developed a computerised 'expert system' for use by its US dealerships. The computer system, which has the ability to make human-like judgments, can be hooked up to the vehicle's on-board computers to diagnose problems. Once the problem is identified, it will advise the technician of the correct repair procedures.

The Service Bay Diagnostic System is currently in pilot use in a number of US dealerships and is scheduled to be installed in all of Ford's US service stations next year.

According to Ford, the system will be regularly updated with repair record data from dealers and with service bulletins, shop manual procedures and other pertinent information.

Ford will enter repair procedure information, while the dealers will contribute the repair record of each customer's vehicle.

The Ford SBDS system will also contain a portable computer, designed by Hewlett-Packard. This can be hooked up to the car's computer while it is being driven, and should help to diagnose the intermittent problems that drivers experience on the road, but which vanish when the car is brought in for service or repair.

GE does some straight talking

WHAT CAN a computer do if told to 'get to grips' with a problem and 'stop grasping at straws'? Very little, according to a research team at the General Electric Research and Development Center in New York.

This is simply because the computer is unable to 'make head or tail' of idiomatic English. But the GE team thinks it should be possible to address machines in this way and is trying to train them to cope.

'We have learned to live with the basic stupidity of computers,' says Uri Zernik, a member of the GE unit. 'They can't deal with natural English even at the level of a two-year-old child. As a result, we have to communicate with them in special languages that are difficult for people to learn and limited in flexibility.' Indeed, these computer languages are still the basic stumbling block for people encountering computers for the first time.

Eventually, humans learning a foreign language manage to puzzle out what the idioms mean. So the research team is trying to discover exactly how they do it and is attempting to program computers to simulate the language learning process.

GE says that the object of the research is not just to make life easier for computer programmers. The idea is to turn computers into 'smart machines', a development which Zernik claims would have a major impact, particularly on industry, medicine and transportation.

Heat changes made crystal clear

TEMPERATURE REMAINS the most frequently measured quantity in industries making anything from bread to petrochemicals. But according to Heraeus Silica and Metals of Weybridge in the UK, conventional methods of doing the job have reached the limits of their technical ability.

Present techniques usually involve either change of electrical resistance with temperature, or the thermocouple, a device producing similar results. Heraeus believes such processes cannot always meet present day requirements of precision, long-term stability or reliability. Its German parent company Heraeus GmbH has, therefore, developed a sensor based on the quartz crystal.

Such crystals can be cut to have a specific natural resonant frequency which is affected only by temperature. They are very precise and are used for example, in a constant temperature enclosure, to determine the frequency of radio transmitters.

In the Heraeus system, temperature changes produce frequency changes which are converted to a pulse signal for transmission. The company can multiplex (send at the same time) up to 16 temperature measurements down the same cable. A microprocessor receiving unit linearises the readings (makes the output proportional to the temperature input) and generates signals that can be used for display systems or for process control purposes.

The system, called QuaT, is accurate to 0.1 deg C in the -20 to +130 deg C range, but can cover -40 to +300 deg C at less accuracy.

A step away from the paperwork

STEAD and Simpson of Leicester, one of Britain's big shoe retailers, is installing ICL electronic point-of-sale terminals in 100 of its 260 branches.

The system greatly reduces time spent on paperwork, since sales transactions are recorded electronically and the terminals produce credit card vouchers automatically, reducing waiting time to a minimum. Software development was conducted with Piquet Computer Systems of Nottingham, which is soon to launch a product for general sale based on the Stead and Simpson system.

Wheel turns towards no-hands dialling

WITH A system from ECT Cellular of London that obviates dialling, calls can be made safely on a car phone while driving. The driver speaks the wanted number into a hands-free microphone (mounted close to the sun visor).

This unit dials the number and makes the connections. It can also remember 40 names, so when it hears 'call office' the system, known as Callmaid, will dial the right number.

Siemens launches offshore venture

SIEMENS, the West German electrical group, has entered the offshore equipment industry with a new UK company called Sheerwey Technology Group (STG).

STG, is offering a consultancy and design service for the development of subsea production systems, prototype components and marginal oil/gas field technology.

CONTACTS: Massey Ferguson: UK office, 0203 304500. Bostik: UK, 0533 510015. GE Schenectady laboratories: US, (518) 387 6294. Heraeus Silica and Metals: UK, 09323 49315. Piquet Computer Services: 0602 819719. ECT Cellular: London, 446 8132. Siemens: UK office, 0932 785691.

JOBS

How graduates fared

BY MICHAEL DIXON

TIMES have changed since the information in the accompanying table was dismissed by an indignant professor as "utterly irrelevant to the function of a university."

What the table attempts to assess is how well the United Kingdom universities' new graduates fared in the employment market. And the professor was one of many academics who in those days - only about a decade ago - resisted the idea that enabling students to obtain jobs was one of the objects of degree-level courses of study.

Today the UK higher educational institutions generally seem to accept that part, although of course not the whole, of their purpose is to equip their degree-winners to work in the economy. Moreover, as the result of a bit of prodding by the Government, there is much interest in universities and the like in the development of performance-indicators suitable for measuring the institutions' effectiveness by appropriate practical as well as academic criteria.

The "employability league table", which has been appearing in the FT annually for the past 17 years, sets out to provide one such indicator. The latest version alongside, compiled from figures just published by the Universities' Statistical Record, relates to students who gained bachelor's degrees at the various institutions last year.

Reading across the table from the left, we first have the university's name and its total 1986 output of bachelor-level graduates classified as domiciled in the UK. The next column shows the percentage of the total who, by December 31 when each institution checked on its recent degree-winners' whereabouts, could no longer be traced.

Then comes the numbers whose whereabouts *were* known, followed by the percentages of the knowns who had gone respectively into jobs of a longer-term duration, or into further full-time study or training.

What determines each university's position in the ranking, however, is the next column: "Short-term work or not employed 1986". That column covers the graduates who were known to be in three particular categories. The first is those in a temporary job expected to last no more than about three months. The second is those who as at December 31 were still seeking employment. The other is people who were not available for employment, as distinct from being already on somebody's payroll at the time they graduated.

The Universities' Statistical Record does not explain why those people were not available for employment, which is a pity. For although they still constitute only a small proportion of the total, their numbers have increased markedly over the past few years. A decade ago the not-available constituted only about 12 of every 1,000 of the men graduates whose whereabouts were known, and 24 per 1,000 of the women. The corresponding figures last year were just over 28 of every 1,000 men, and 40 of every 1,000 women.

One possible explanation is that some of the institutions have lately taken in increased numbers of older people to read for a degree after retirement. But another - which, although I am sad to mention it, is by no means unlikely - is that in certain cases universities are assigning people to the not-available category as a means of keeping down the numbers of their new graduates recorded as still seeking jobs.

For one of the deficiencies of the employability league table as a performance indicator is that it is based on statistics provided by the individual universities, which are not audited. As a result, even though deliberate "cheating" is probably rare, there are liable to be variances in the criteria different institutions use for deciding such things as whether or not a graduate on whose whereabouts they have only hearsay evidence should be designated untraced.

A further drawback is that the table makes no adjustment for the in-built jobs-market advantage enjoyed by universities with a higher-than-average proportion of their graduates in strongly employable subjects like electronic engineering. Even so, provided such deficiences are borne in mind, the results make instructive reading.

				% of those of known destination who were in:			
University	Total of new UK graduates	% not traced as at 31/12/86	No. whose destination was known at 31/12/86	Long-term jobs	Further study or training	Short-term work or not employed 1986	(Short-term work or not employed 1985)
Brunel	469	4.9	446	77.1	15.5	7.4	(7.0)
City of London	516	5.4	488	85.7	5.3	9.0	(9.1)
Dundee	575	9.9	518	56.9	33.8	9.3	(8.3)
UMIST*	715	8.3	656	78.0	12.5	9.5	(13.4)
Durham	1,251	14.5	1,069	57.8	32.3	9.9	(9.1)
Bath	775	2.8	753	75.6	14.2	10.2	(7.6)
Strathclyde	1,343	6.6	1,255	68.1	21.5	10.4	(10.6)
Bradford	921	4.8	877	79.2	10.3	10.5	(14.1)
Newcastle	1,709	18.0	1,401	69.1	20.3	10.6	(11.7)
Aston	758	10.4	679	76.9	12.5	10.6	(8.5)
Surrey	569	11.6	503	74.8	13.7	11.5	(12.8)
Oxford	2,582	7.6	2,387	54.0	34.2	11.8	(10.8)
Warwick	1,342	11.2	1,192	63.9	24.3	11.8	(15.7)
Salford	719	8.6	657	72.9	15.1	12.0	(14.8)
Cambridge	2,641	10.2	2,368	51.4	36.4	12.2	(10.5)
Glasgow	2,115	3.0	2,052	55.8	31.6	12.6	(9.5)
Aberdeen	1,119	9.5	1,013	54.3	33.1	12.6	(12.9)
Birmingham	2,018	16.0	1,695	62.5	24.8	12.7	(13.1)
Queen's Belfast	1,422	3.4	1,373	50.6	36.6	12.8	(17.9)
St Andrews	702	7.7	648	44.9	42.3	12.8	(13.8)
Exeter	1,230	19.0	996	60.7	26.2	13.1	(12.3)
Nottingham	1,599	6.6	1,494	65.3	21.3	13.4	(15.5)
Heriot-Watt	581	4.1	557	69.8	16.7	13.5	(6.0)
Lancaster	1,168	10.5	1,045	63.4	22.9	13.7	(14.4)
Southampton	1,459	10.1	1,311	65.0	21.0	14.0	(9.9)
Manchester	2,528	8.6	2,311	61.0	24.8	14.2	(15.8)
Leicester	1,114	9.4	1,009	54.7	31.0	14.3	(14.4)
Loughborough	1,148	4.0	1,102	76.0	9.4	14.6	(12.4)
Reading	1,128	7.4	1,045	65.3	20.1	14.6	(17.5)
London	7,987	20.8	6,326	62.7	22.6	14.7	(16.5)
Sheffield	1,774	5.3	1,680	60.7	24.2	15.1	(17.9)
Wales	4,058	7.0	3,772	54.9	29.9	15.2	(17.3)
Keele	540	9.1	491	52.5	32.2	15.3	(18.6)
Edinburgh	1,861	14.2	1,596	55.0	29.2	15.8	(13.9)
Hull	1,188	10.5	1,063	57.9	26.2	15.9	(16.9)
York	843	7.6	779	55.2	28.8	16.0	(16.3)
Bristol	1,645	8.9	1,499	58.2	25.1	16.7	(15.8)
Kent	910	7.6	841	60.8	21.5	17.7	(20.0)
Essex	549	11.5	486	50.6	31.3	18.1	(18.8)
Liverpool	1,751	9.1	1,592	58.4	23.4	18.2	(19.2)
Leeds	2,296	5.0	2,182	55.9	25.2	18.9	(18.3)
Stirling	595	7.4	551	60.1	20.1	19.8	(15.7)
East Anglia	972	12.0	855	49.7	28.8	21.5	(22.9)
Sussex	884	11.4	783	53.5	24.4	22.1	(17.8)
Ulster	1,417	8.8	1,293	57.2	19.7	23.1	(20.7)
Overall	65,486	10.4	58,689	60.6	25.1	14.3	(14.7)

*University of Manchester Institute of Science and Technology

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No candidate will be referred to our client without his or her prior approval.

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WEST GERMAN BANKING

Haig Simonian on a German bank's management consultancy move

Deutsche Bank turns headhunter

DOMESTIC CRITICS say Deutsche Bank already knows more about West German big business than is good for it. The swap it engineered last month between one chief executive for another at Daimler-Benz, the country's largest industrial concern, where Mr Alfred Herrhausen, the bank's co-speaker, is chairman of the supervisory board, was just grist to the mill.

Now those who see Deutsche Bank's hand behind most of the twists and turns in German corporate life are warning of a stranglehold after its decision to take a stake in Roland Berger and Partner, the country's leading home-grown management consultant.

Germany's largest bank and the world's 14th biggest financial institution, Deutsche Bank is aware of criticisms of conflict of interest and monopoly power. Few industrial groups would want to wash their dirty linen in front of a bank-owned consultant, no matter how high the Chinese walls between them. Fewer still may be keen to do so if the consultant belongs to Deutsche Bank.

The bank realises its consultancy side is bound to suffer in the short term as certain clients shy away. But it hopes in time that losses will be more than made up by new business from its own small corporate clients at home and from big non-German groups abroad.

For Deutsche Bank is convinced that consultancy is the third branch of business it must develop after commercial and investment banking, in order to position itself competitively among the world's top banks.

Buying into a top management consultancy may be unusual, if not inimical, to US or UK bankers—let alone companies—accustomed to a much wider separation of powers. But Deutsche's Bank's example cannot be ignored. And if, in the course of time, it seems to be paying off, foreign bankers may have to reconsider.

After all, Deutsche Bank's track record is hardly bad. It is by far the leading bank in Germany, having consolidated its position after upsets caused by interest rate mismatchings at both Dresdner Bank and Commerzbank, its two smaller rivals, in the early 1980s.

Since then, it has hardly looked back. Deutsche Bank now serves more of Germany's big companies than any of its competitors, and is unchallenged when it comes to new bond issues or stock market flotations.

Its reputation is partly earned and partly self-fulfilling. The bank is well-managed, especially at home, while financially it is as solid as the massive granite sculpture that adorns the entrance to its Frankfurt headquarters. Capital ratios and asset quality are high, while native caution and prudent provisioning mean it has been less affected by third-world lending problems than most of its foreign rivals.

The bank wants to export its success abroad. Deutsche Bank is in the thick of an "investment phase," according to Mr Herrhausen, that it hopes will in time make it the leading bank in Europe.

Deutsche Bank's recent record in international investment banking has been impressive, apart from the occasional hiccup which has again revealed an uncertainty in how to deal with difficulties once out in the open.

The decision to move its new issues business for non-Deutschemark Eurobonds from Frankfurt to London two years ago caused a stir in Germany that has not been forgotten and probably helped push the Bundesbank into reforming the domestic capital markets.

Since then, Deutsche Bank Capital Markets (DBCM), based in London, has developed into a major force in the Eurobond new issues business. Only the recent rise of Japanese securities houses has dislodged DBCM from its regular position virtually at the top of the league table for new Eurobond issues.

However, the reaction at Deutsche Bank's Frankfurt headquarters to the severe problems faced in placing the $2.1bn international sale of shares in Fiat, the Italian motor group, in September last year revealed a surprising lack of self-assurance for a top-notch international bank. Senior management seemed unprepared for the widespread criticism which arose, and for the fact that some middle-ranking London-based executives were being quoted in the international press. If Deutsche Bank comments at all, it comments from the top.

Does aversion to publicity explain why the bank's other main London investment banking venture, its 4.9 per cent stake of Morgan Grenfell, the UK merchant bank, has been kept so low key?

The stake has sparked regular speculation as to whether Deutsche Bank will one day launch a full bid. It might. But if it does, it will not be rushed and will almost certainly if any sign of a contested bid comes along.

Deutsche Bank intends to develop into "a wide-ranging multinational services concern." By buying a 24 per cent stake in Roland Berger, which it intends to raise to 75.1 per cent by the end of next year, it hopes to get a head start on most of its rivals. "We are

Mr Alfred Herrhausen—wants to export success abroad

developing an additional advisory potential which in the not too distant future is bound to be part of the product range of an internationally operating bank," reckons Mr Herrhausen.

Deutsche Bank is no slouch in advising on financial matters as it is. It has even touched on strategic consultancy through its subsidiary, DB Consult, which works on mergers and acquisitions. The bank itself provides an array of computer-supported data services and electronic cash-management, while it also has a 33 per cent stake in Vaubel & Partners, a Tokyo consulting firm.

But buying into Roland Berger is an altogether bigger step. The company, founded in 1967, has 21 partners and a total staff of 250, about 180 of whom are professional consultants. Apart from "classic" strategic consulting, it also covers a range of other activities including marketing, organisation and personal policy.

Its client list neatly reflects Deutsche Bank's own blue chip portfolio. Roland Berger advises 18 of Germany's top 20 industrial groups, as well as eight of the 10 leading banks. Among its industrial clients have been Arbed Saarstahl, the troubled steel group, and, more recently, Messerschmitt-Boelkow-Blohm, the country's leading aerospace company.

The bank is setting great store by the potential synergy of the deal. More than 95 per cent of its 150,000 corporate clients are small and middle-sized companies, says Mr Herbert Zapp, director responsible for corporate business. Moreover, about half of all corporate deposits and loans come from companies with sales of up to DM 50m ($27.78m), or about 75 per cent if the figure is lifted to DM 250m in sales, he says.

Those customers have steadily been asking for more advice. With Roland Berger, the bank is planning to set up a company, Deutsche Gesellschaft fuer Mittelstandsberatung, based in Munich, specifically to cater for the consulting needs of such small and medium-sized businesses.

Abroad, Roland Berger & Partner and DB Consult will be brought together as a first step to provide a broader range of consultancy and M&A (mergers and acquisitions) advice. M&A is being heavily stressed, partly because German companies are increasingly investing abroad. Direct investments last year amounted to some DM 21bn, according to Mr Berger. Moreover, M&A is the most important gap to be plugged in the bank's present range of services.

German banks have traditionally been weak in M&A, and companies have had to turn to Wall Street investment banks or UK merchant banks instead.

Outside Germany, the bank will try to exploit the synergy of its consultancy link in Italy and Spain, where Roland Berger is already represented, first of all. The two countries also conveniently tie in with its known expansion plans. Later, the service will be extended to the UK and France, and then world-wide.

Mr Herrhausen has declined to say whether buying into Roland Berger is Deutsche Bank's last word in the consultancy business. It is probably not, though he denies it has any further acquisition plans up its sleeve at present. However, "if opportunities are offered in the market we will look at them carefully," he says.

S T

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TECHNICAL SUPPORT CONSULTANT

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Television/Christopher Dunkley

Violence is in the heart of the beholder

Why are English men of a certain *sort so keen on smacking* girls' bottoms; can it really be the result of beatings at school? In the same week that Ken Tynan's widow *reveals* in her biography that her husband was a "spanker," BBC1 brings us the drama *Happy Valley*, about the murder of Lord Erroll in Kenya in 1941. This time the story is told (by David Reid) from the point of view of Juanita Carberry, a 15-year-old girl whose account is punctuated not just once but repeatedly by vicious beatings delivered either by her father or by his mistress while he watches.

Director Ross Devenish and producer Cedric Messina assumed either that we wished to see all this or that we ought to. Why? Whereas the humping scene in *The Singing Detective* was central to Dennis Potter's plot, it could hardly be argued that the sadistic caning of *Miss* Carberry had any *bearing on the Erroll* case. The atmosphere of tacky decadence in an expatriate community was reproduced superbly without needing any of the beatings, the details of which were gratuitous. Holly Aird gave one of the performances of the year as the plain and awkward but rather shrewd girl, and will no doubt find a lot more work now coming her way.

★

All the pleasant, well-mannered, university-educated broadcasters have trailed home from the Edinburgh Television Festival wringing their hands and moaning that this year's theme, "Television Fights Back," was wishful thinking. It seems *that* a *handful* of Fleet Street editors, American network bosses, and Conservative MPs, who were set up as *coconut shies, had the audacity* not only to catch the missiles aimed at them, but to throw them back at the assembled broadcasters with greater energy and accuracy.

This has led to deep depression. Broadcasters are now moodily awaiting the Conservatives' broadcasting bill and predicting that there will be *lots of deregulation which will* let in the new freebooters led by Murdoch, Maxwell and Berlusconi, and simultaneously *lots of tough new rules about* sex and violence.

Both expectations will probably be fulfilled. The irony is *that only one British broadcaster* in a hundred seems to have realised what a charmed life they have lived up to now. In a world of Sun and Mirror readers they have provided a broadcasting system based on the assumption that, like the broadcasters themselves and their friends, most viewers are Guardian readers. This has been delightful for the small minority who actually do prefer *Panorama, A Week in Politics*, and *World In Action* to *That's Life*.

But it ought to have been clear all along that advances in technology would one day shatter the charmed world of duopoly and allow on to the air waves those who would aim their entire output at the mass audience. Instead of twittering now about the philistine attitudes of Tory backbenchers and the ghastly taste of tabloid editors (people who depend for their jobs on appealing *successfully and competitively to* the British public) broadcasters should now be working out how they are going to maintain even a small *proportion of* programmes for the Guardian-reading classes, once broadcasting really does become a market-place.

★

Somebody in the BBC sports department has a knack for *choosing signature* tunes which, though they seem quite unsuitable at first, rapidly grow on you. Cricket, the languorous summer game which often takes five days, was given a snappy little sig-tune with a calypso rhythm beaten out on beer cans, which at first seemed wildly inappropriate. It now seems a perfectly natural introduction to the game. Then, for the *World Athletics Championships* in Rome last week, they chose a bizarre instrumental version of Al Bowlly's 1934 hit "Riptide" which sounded as *though it was being played in* slow motion under water. For a day or so it felt utterly out of place. Then, like Pavlov's *dogs, one came to associate* the sound with a treat. Now it is going round and round my head and will not go away.

As usual, the BBC *commentary* team sustained a remarkably high standard, with David Coleman being particularly impressive, though he is developing two verbal habits which irritate. Having always pronounced "kilometre" correctly to indicate a two-part word consisting of "kilo" and "metre," he succumbed halfway through the Rome meeting to the influence of Brendan Foster's perpetual mispronunciation which implies that there is something called an "ometre" which we are required to kill. Second, Coleman is picking up the silly American habit of referring to athletics as "track and field." Worse, he is even using the phrase to mean "running" as in "Track and field has now become his game," when talking about a runner.

Still, it was good to hear the tributes paid repeatedly by Coleman and Ron Pickering to the African countries for their re-emergence in this sport and, in a world so full of foul-mouthed tennis brats and vicious soccer players, it was heart*ening to* see the camaraderie among the decathlon competitors. Inspiring, too, to watch Ed Moses—who needed a photograph to be sure he had won the 400m hurdles yet again—pulling Schmid and Harris off the No 2 and 3 podiums and up onto the No 1 rostrum with him.

★

Obviously the television screen is much smaller than the *cinema screen, and seeing* William Dieterle's 1939 version of *The Hunchback of Notre Dame* is more affecting in the cinema than on television. Yet watching it again on BBC2 on Saturday it was interesting to find how powerful much of the cinema mise-en-scène remains even on the small screen, and puzzling to know why television *directors seem to care so little* about such matters.

The excuse that television cannot match Hollywood budgets *is relevant in some* respects: Dieterle's marvellous overhead shots of the Paris mob do depend upon paying a lot of *extras, for example*. But it was not money which created the wonderful and awful moment when Quasimodo's molten lead *spews* out of the mouths of the Notre Dame gargoyles, nor money which creates telling camera angles.

Compare a television film such as ITV's *A Wreath of Roses* on the following night and you find that too much of the care and money has been lavished upon the inconsequential: the vintage vehicles, the period frocks, the old Rowntree's Fruit Gum advertisement. It has been argued here in the past that while cinema is truly a visual medium, television is mainly illustrated radio, but no *law says it has to be so.*

★

Still the assumption continues to be made, after the appalling Hungerford tragedy, that television was "responsible" for Michael Ryan's insane actions. Yet it was surely not Ryan's viewing which shaped *his* nature but his nature which shaped his viewing. There have been homicidal maniacs around since the dawn *of human history; Jack the* Ripper cannot have been driven to his deeds, or even been partially affected, by television. But it seems likely, does it not, that if he was alive today he might well be disposed to watch video nasties or *Rambo*.

It would not worry me if I never saw another violent act on television: the Greeks managed to explore human conflict in their drama without showing actual violence. However, the danger is that if you allow people to believe that controlling television is the key *to controlling violence in* society, you may find less and less attention paid to the real problem which is not violence in pictures but violence in mankind.

Holly Aird and Denholm Elliott in "The Happy Valley"

Eugene Bervoets and Ken Kelountang Ndiaye in "Ali, der 1001 nachtmerrie"

Dutch and Flemish conventions/Amsterdam

Michael Coveney

Amsterdam has been this year's Cultural Capital of Europe (next year, Glasgow) and the theatre community has responded by inaugurating a festival of Dutch and Flemish-*spoken Belgian productions* selected by a jury of critics and professionals.

Organised under the aegis of *the* Holland Festival and administered by the redoubtable Dutch Diaghilev, Arthur Sonnen, the festival has a deeper underlying objective. That is, to apply a brake to the alarming drop in theatre attendances over the past five years and bring to the mainstream attention the exciting work of smaller venues that has benefited from public subsidies in the last 15 years.

This admirably populist ambition appealed more to the Capital of Europe people than it did to the American Arts Council, with the result that next year, the festival moves on with a three-year guarantee to Rotterdam.

Meanwhile, this first equivalent of the Berlin Theatertreffen has thrown up nine productions ranging from the *Need to Know* show that visited LIFT in July to an 80-minute *Cherry Orchard*. Technical and administrative hiccups deprived us of two mouth-watering Belgian productions, but a short visit over the weekend was richly rewarded with a striking new *Hamlet, the Dutch premiere of* a play by one of Germany's outstanding playwrights, Herbert Achternbusch (as yet un*performed* in Britain), and a disturbing new piece based on the experience of a journalist who disguised himself for two years as an immigrant worker.

This latter item, *Ali, de 1001 nachtmerrie* by Gunter Wallraff is an exercise in personality osmosis and role wish fulfilment given the full alienating technical works of a *Hairy Ape* style steel tubular enclosure, television screens, loud music and abrasive culture clash. Even for Dutch speakers the proceedings are sometimes difficult to follow but there is no questioning the energy or the *uncompromising* brilliance of the two actors, Eugene Bervoets as the inquisitive white investigator and Ken Kelountang Ndiaye as the ignobly Rastafarian savage.

Ali wandered some distance from its source material but had a vibrant and impressive integrity of its own. The *Hamlet* of the Publiekstheater of Amsterdam, now renamed Theater Group Amsterdam, was by contrast extremely faithful to Shakespeare. The translation of Gerrit Komrij, a prominent Dutch poet, reflected wherever possible the pentameter rhythms and had on this listener the twofold effect of opening ears to a previously incomprehensible language and reminding me how that language is in fact fascinatingly poised between German and English.

"Nu breekt een nobel hart. Slaap wel, prinslief/Laat engelenscharen je ter ruste zingen," says Horatio over the corpse of Pierre Bokma's impulsive, neurasthenic prince. This was not a controversial or outrageous reading, but a highly *intelligent one, with* Bokma finding emotional expression for all the chameleon phases of the character. Close inspection of the text confirmed a Dutch speaking colleague's impression that the Fortinbras theme — though scenographically under-presented—had been bolstered with some political interpolations of the translator's own. But a nation on the boil and a throne up for grabs we did *not really see.*

We did see a parade of beautiful costumes that might have walked off the walls of the Rijksmuseum — the rampart scenes glow like Rembrandt's "Night Watch" — and an impressive command of light, space and ensemble rhythm by director Gerardjan Rijnders. The *ghost* appeared, wearily, through a trap, plonking his helmet beside his naked torso and making an irrefutable demand *on his son*. Rosencrantz and Guildernstern fidgeted in tandem with the brims of their doffed headgear. Petra Laseur's Gertrude tottered around on cothurni, a frightened not so virginal queen bullied into political and sexual acquiescence by a sleek bullfrog Claudius (Habns Croiset). Best of all, Margo Dames's doll-like Ophelia finds girlhood in madness, escapes off the corseted *pedestal and carries a world of* bottled up youthful vitality — her own and Hamlet's — to a watery grave.

Herbert *Achternbusch's Gust* (1980) belongs to the new school of German buttonholing monologuist drama just coming to terms with the guilts and pressures of the last War. At Edinburgh, Tilda Swinton's performance in Karge's *Jackie Wie Hose* was an equally powerful and similar example. Here, an old beekeeper chews over the old times and his wartime experiences as his wife dies virtually unattended in the background.

The Hollandia group took the piece to a condemned garden centre 20 kilometres out of the city at Hoofddorp. Attending the show was therefore something of an outing, sitting through it *something* less *of* one. Overhead aeroplanes and distant twinkling traffic were in scenic competition with a studied design of broken down sofas (for the audience) piles of wood shavings and cunningly lit banks of red fern and wooden beehives. Rik van Uffelen's performance (he also translated from the German) was an exercise in technique, and a good one, rather than a lacerating self-exposure. His wife was played by a man in order further to undermine any pretensions to realism.

New Music/Lucerne Festival

Andrew Clark

Money and scenery make a useful start for a summer festival, and Lucerne has both *in plenty—but does it have culture?* An almost endless succession of top orchestras, conductors and soloists, pouring into the city each year for three weeks, might seem a fair guarantee; but even allowing for Lucerne's resourceful juggling with festival themes—this year concentrating on the musical links between France and North America—there is a danger of the Festival becoming a platform for splendid concerts available cheaper elsewhere.

The concert most individual to Lucerne, and therefore a *true festival event, continues* to be the "Musica Nova" slot, which ironically also happens to be the least expensive and dressy *of all Lucerne's* promotions. This year it featured a loosely-linked programme of five works, admirably played by the Ensemble InterContemporain of Paris. The French/American connection was represented by Elliott Carter's song cycle, *A mirror on which to dwell* (1975), brightly sung by Rosemary Hardy, and the early Varese *Octandre*—dense, full of ideas, with echoes of Ravel and *The Rite of Spring*, and proclaiming how advanced Varese already was in 1923.

At the heart of the concert *were two pieces* by Swiss composers, Christoph Delz and Klaus Huber. The Delz — a first performance — was a two-movement work for piano and nine instruments: the first a *pretty (and pretty boring)* imitation of Webern, whose Concerto for wind, strings and piano had preceded it; and the second a cheap mosaic of sonorities, ditties and reminiscences, expressed with a heavy humour not untypical of the German-speaking Swiss.

This made a stark contrast to the Huber, which bore clear signs of a mind working on original ideas. Huber, a former teacher of *Brian Ferneyhough*, is regarded by many as Switzerland's foremost composer of the avant-garde, a reputation he *has gained* without resort to electronics. A new work had been promised, but in the end we had to be content with the 10-year-old *Erinnere Dich an G . . .* for double bass and 18 instruments.

The work opens with *alternating bursts of chattering* and musing, a dialectic that eventually gives way to a long mourning cantilena. There are glimpses of violence and entrancing sonorities along the way. It illustrates some of Huber's better known characteristics, among them his confident command of conventional instrumentation, and a habit of using music to drum in a political or moral point. Given the *thoroughness with which* he does this, he is in danger of succumbing to the tedious earnestness of the ideologue: all a matter of taste, of course. The performance—and indeed the whole concert—was supervised with exemplary clarity by Peter Eötvös.

Art for the City

Between September 14 and October 2 the Financial Times, in conjunction with Lloyd's of London, is mounting an exhibition of *contemporary art in the* new Lloyd's building in Lime Street.

On September 23 from 6.15 *onwards there will* be a private view for FT readers. Anyone wishing to attend should send a *s.a.e.* (minimum 4 x 9 ins) to the Press Office, Bracken House, Cannon Street, London EC4P 4BY.

London Festival Ballet's 'Nutcracker' to tour

Peter Schaufuss's production of *The Nutcracker for London* Festival Ballet begins an autumn tour at the Bradford Alhambra on October 20, then *going to the* Marlowe in Canterbury (October 26-31), the Palace Theatre in Manchester (November 16-21), the Bristol Hippodrome (November 23-28) and the Birmingham Hippodrome (December 7-12).

City of Birmingham SO/BBC2

Andrew Clements

Live television relays from the Proms are understandably strictly rationed; other than the *statutory first and last rites*, only two *of* this season's concerts have been so honoured. One was the memorable Boulez *Gurrelieder* a month ago, and the other was on Monday, when the City of Birmingham Symphony Orchestra appeared under Simon Rattle.

As this page has been urging its readers for several years now, there is no finer British combination of orchestra and conductor to be heard at present than the CBSO and Rattle. Their pedigree was immediately announced in Gershwin's *Cuban Overture*, a garrulous equivalent of Arthur Benjamin's *Jamaican Rumba* to the uninitiated, but a fiendish orchestral test-piece nevertheless, remarkable here for its bounding, elastic rhythms and panache of its solo playing. An encore (richly merited) was to provide more Gershwin, the overture to *Strike up the Band*, presented with the same combination of freewheeling exuberance and tightly disciolined ensemble. In Gershwin Rattle really is a class apart from anyone else.

What might have seemed on paper a patchwork programme revealed some neat symmetries in performance. Two brutalist Russian ballet scores, Prokofiev's *Scythian Suite* and Shostakovich's *Age of Gold*, were contrasted in their expressive means: Prokofiev yeilding to expressive overkill in saturated textures which *the* CBSO presented unflinchingly, Shostakovich's sharper honed satire drawing pungent, vividly imaged solos from the brass in particular. Against those were placed a pair of highly compressed Nordic tone poems, Nielsen's *Pan and Syrinx* — not his most satisfying construction to be truthful, more a sequence of ideas that seem pregnant with symbolic potential — and Sibelius's *Luonnotar*.

Together with the central movement of *Kullervo*, *Luonnotar* gives a tantalising *glimpse of the Kalevala-inspired* opera which in another musical culture Sibelius might have composed; its enormously demanding soprano line requires a voice of Wagnerian steel and expressiveness. Elizabeth Söderström has the expressivity but not the power; however carefully she moulded the table, the work's soaring climaxes were undervalued, despite the resonent depth of the orchestral accompaniment. In five of the Canteloub's Songs of the Auvergne she caught the intimate scale exactly, but the voice *remained unsettled*, as *though* adjusting uneasily to the size of the hall. Here Rattle accompanied superbly again, with the CBSO wind continuing to demonstrate its thoroughgoing excellence.

This Savage Parade/King's Head

Michael Coveney

This fitfully compulsive revival of Anthony Shaffer's 1963 kangaroo courtroom drama reveals that the author of *Sleuth* was no sudden convert to the whodunnit world of disguise and forged identity. But instead of the usual thriller setting of mock Tudor banisters and silver tea pots we *find actors* convening in a damp spartan wine cellar in Tel Aviv.

The year is 1962, shortly after the Eichmann trial. Leading members of the Haganah believe they have tracked down Eichmann's superior officer, Rudolf Friedrich Bauer. Bauer has been delivered to the court by a Haganah agent in the Argentine, where Bauer has been *in hiding since the end of* the war. Revenging blood lust is up. One supposes that Mr Shaffer has dusted down his early unremembered work because of the recent prominence in the news of various Nazi hunters, as well as the trials of Klaus Barbie and John Demanjiuk.

The question of true identity in the latter case comes to mind when first the *prisoner* double-crosses his interrogators with false skin grafts and then the "real" Bauer is revealed as a bona fide double who was saved at Auschwitz by his resemblance to the *gruppenfuhrer*. Soon after this, with the gallows looming outside, there are *more candidates for terminal* Bauerdom on the stage than there are righteous persecutors. One of them cops it after rehearsing the old "We did you a favour" Nazi argument propounded by George Steiner's Hitler in *The Portage to San Cristobal*, and the play closes with the message of another arrest in France.

Rimbaud's "savage parade" is a sub-title in the programme, but Mr Shaffer hi-jacks the phrase to suggest, in the arguments of a cynical young military secretary (Paddy Navin) —the only girl on stage—*that* the world is teeming with Bauers, a whole tangled ghostly *tree of them who adopt various* living forms to focus a nation's anger. In being brought to trial they serve as a lesson and a reminder to *younger* generations.

Jonathan Myerson's production does not quite conceal all *the cracks in the writing—the* major one being the hastiness with which three men are thrown in the dock with no documented evidence or papers; and since when has a make-up job landed you in the death cell?—but it does enrich the subtext of trial by appearance by casting transparently gentile actors as the prosecution and the massively dignified, palpably Jewish Alfred Marks as *the chief suspect of* genocidal barbarity.

Mr Marks is hardly stretched by the material, and the *dramatic scheme progressively* robs him of a chance to build on his early vacillations between hunted apprehension and haughty imposture. But he sets the tone and sets the scene for some impressive monologue turns from Alan Haywood, blubbering and wild-eyed, and Garfield Morgan, manic and frightening.

Alfred Marks and Garfield Morgan

Arts Guide

September 4–10

Exhibitions

NETHERLANDS

Overholland Museum (Museumplein 4). *Roy Lichtenstein* retrospective, with 275 drawings from 1961 to 1986, including preparatory gouache and collage studies for murals. Ends Sept 13.

PARIS

Invitation to a Voyage: A delightful exhibition based on a Louis Vuitton collection, conjures up the excitement of travel from the middle ages till 1935, with finely tooled 15th and 18th century caskets for jewels, knives and goblets, with ornate leather trunks – and a Sache Guitry wardrobe case. The toilet sets dazzle with silver and crystal, ivory and tortoise shell, a French Coupe, a Dutch Royal sledge with a Japanese palanquin evoke adventure against the background of exotic travel scenes, while the Pullman era ushers in the luxury of discreet comfort amid the bustling porters. Musee des Arts Decoratifs, 107, Rue de Rivoli (4260 3214). Ends Aug 30.

WEST GERMANY

Kassel: Museum Fridericanum Orangerie: Documenta 8 'World exhibition of contemporary arts': paintings sculptures, theatre performances, *architecture and design. The Documenta* was founded in 1955 by local painter Arnold Bode with Henry Moore, Alexander Calder, Max Ernst and Joan Miro and is an important venue for modern art. This year director Manfred Schneckenburger presents the works of 150 artists, and for the first time open air sculptures which will be erected in Kassel's city centre. Artists exhibiting include Ian Hamilton Finlay, Javier Mariscal, Robert Morris, Mark Tansey, *Alexander Melamid*, Eric Fischl, Leon Golub, Robert Longo and Joseph Beuys. There is also a separate exhibition 'The Ideal *Museum' where 12 architects* present their ideas for Museum construction. Ends Sept 20.

Hildesheim, Roemer- und Pelizaeus-Museum, *Am Steine 1-2. Egypt's* rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America – the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. *Another highlight is a reconstruction* of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

ITALY

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Rome: Palazzo Braschi (Piazza San Pantaleo 1): Carlo Carra' (1881–1966): Over 200 works by one of the most lyrical of Italian contemporary painters, many with clear echoes of those artists known to have influenced him, such as Giotto and Piero Della Francesca. Neatly *divided into sections corresponding* to his futurist, metaphysical and Realismo Magico periods. Ends Sept 16.

Rome: Palazzo Braschi: Painter-Photographers in Rome: 1845–1870: The term Painter-Photographer was used almost up to 1970 to describe the early photographers, *even if* they had never painted. *An* absorbing collection of documentary photographs of Rome, including a collection by the English archeologist, *John Henry Parker, and some* striking portraits, all from the archives of the Rome Commune. Ends Sept 27.

Venice: Palazzo Grassi: Jean Tinguely: *1954–1987: The jokey* mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mischievous, version of Salvador Dali, Tinguely *describes* some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity *and sheer* improbability of his works communicate a touching "joie de vivre." Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture, Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

SPAIN

Madrid, Spanish Pavilion in the International exhibition in Paris, 1937. This show reproduces the space, contents and environment of Spain's contribution to the art world during the Civil War, a means of propaganda by the republican government in search of international aid and support. Some originals, *some copies or reproductions* include architecture of the pavilion by Lacasa and Sert, Picasso's studies on the Guernica and his Dama Oferente, North American Alexander Calder's Fountain of Mercury, Miro's 'El Payes Catalan en Revolucion' and many more on loan by private collections and museums. Centro de Arte Reina Sofia, Santa Isabel 52. Ends Sept 15.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

NEW YORK

IBM Gallery: Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings *and models of work from 1960 to* 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hirschhorn Museum: One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east coast retrospective with 49 paintings and four painted constructions. Ends Oct 18.

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Next step for the EMS

THE natives have been growing restless on the Deutsche Mark reservation. That restlessness has shown itself most particularly in proposals from France for significant alterations in the operation of the Exchange Rate Mechanism of the European Monetary System. These proposals have produced modest initial fruit in an agreement reached by the central banks concerned to a number of technical changes in the system. The effect of these welcome changes will be to commit the Bundesbank somewhat more fully, though not automatically, to the preservation of agreed parities. Incidentally, but perhaps not accidentally, the changes go some way towards undermining the British Government's long-standing objection that the time for membership of the ERM is not ripe. It is difficult to envisage the time getting riper. A decision to continue postponement of full membership must be judged as being one of fundamental principle rather than of timing.

Since coming into operation in 1979 the EMS has confounded its critics and perhaps even surprised its supporters. The system has not merely survived, but has contributed to the two valuable achievements of increased nominal exchange rate stability and the convergence of rates of inflation towards the West German level. In effect, the EMS has worked as a DM block and during much of its history that is what its members wanted it to be.

Monetary policy

One of the reasons that the ERM works as a DM block is technical. The Bundesbank is under little obligation to assist in the support of parties before their limits are reached. Accordingly, West German monetary policy can be conducted irrespective of the movement of exchange rates until that point. Meanwhile, the central bank in charge of the weakening currency is under pressure to commit its reserves or adjust its monetary policy well before that time. It is difficult, however, for the central bank in question to intervent effectively, because of limitations on its ability to borrow DM. Consequently, such intra-marginal interventions have to be made out of the country's own reserves. The effect has inevitably been to force early changes on domestic monetary policy in the weak-currency countries. In the language so familiar from the days of the Bretton Woods system, the burden of adjustment is unequally shared.

Exchange rate

None of this mattered much while the import of German monetary policy was precisely what the other member countries wished. Two important developments have, however, changed attitudes. The firste of these is the liberalisation of exchange controls, which has gone far in France and is proceeding in Italy as well. It has been argued that the existence of exchange controls in the two major weak currency countries was a necessary and costly consequence of the EMS. Consequently, the present liberalisation is desirable, but also a severe test of the system. Given the greatly enhanced opportunities for speculative attacks, enhanced commitment to intra-marginal intervention by both the strong and weak currency countries is necessary if such a liberalised system is to operate smoothly.

The second development is the declining emphasis on dis inflation and a growing feeling that West German macroeconomic policy is inappropriate for a stagnant Western European economy. The principal price of membership for the weak currency countries has been appreciation of the real exchange rate. Wanting to remain within the system but increasingly sensitive to unemployment, the governments of these countries now wish to influence the development of the system as a whole towards greater economic expansion.

In granting enhanced facilities for financing intra-intervention, which would presumably have an effect on West German monetary policy as well, the German authorities have gone some way towards meeting the objectives of the other members, while maintaining their ultimate control over the counter-inflationary fence. Looking at these developments from the perspective of the British Government it is difficult to envisage what other sort of system would be worth joining.

Trade unions and their members

IT HAS taken the Trades Union Congress a long time to face the fact of falling trade union membership after a decade in which recession, structural change and a hostile government have reduced the proportion of organised labour in Britain from 55 per cent to about 37 per cent.

All the more pity, then, that the staff of Congress House should have once again succeeded in fudging the agenda of this week's conference in Blackpool to deny delegates a full debate about what contemporary trade unionism should look like.

This time-worn tradition of seeking unity at the expense of real debate is a symptom of the TUC's weakness. The backroom analysis that will occupy the bureaucracy and a special review committee over the next 12 months may be procedurally satisfying. It is most unlikely to resolve the suppressed conflict over trade union objectives, nor, of itself, to add one more member to the ranks.

Political unionism

There are two issues here. One is whether the TUC secretariat and general council, having virtually lost the job of accredited representative to the Government, should try to acquire a new role as a central recruitment agency, directing and funding individual unions' efforts to put on membership.

The other, subordinate, question is whether the TUC should feel obliged to dictate the form of trade union recognition and bargaining agreements in new areas. In other words, should it claim the right to adjudicate between the "business unionism" approach of unions like the EETPU electricians or the traditional "political unionism" of the miners?

Both questions can only be answered by going back to fundamentals. Trade unions are only as strong as the commitment of their members: one voluntary member is worth 10 who are co-opted. The closed shop may be an administrative convenience — for an employer as much as for a trade union — but a 100 per cent union shop, which involves no compulsion, is better every time.

Unions will only recover their numerical strength and political influence if they provide the individual and collective services that workers need. There should always be the possibility of choice and hence some measure of competition between trade unions.

That freedom will necessarily be limited in practice — if a single-union agreement is all an employer will offer, his employees may have no choice. If so-called "strike-free" agreements are seen by workers as providing adequate protection, there is no point attempting to outlaw them on doctrinal grounds. The worker's right to choose his own union will also be restricted in practice by the need to keep some order in bargaining arrangements — a limitation enshrined in the TUC's Bridlington arrangements to prevent casual poaching.

New thinkers

That said, it is right that trade unions should seek their own salvation. If workers want their unions to act as the transmission belt of capitalism — providing credit cards, profit-sharing, mortgages, holidays in the sun — let them have that. If the labour movement finds that an unacceptable distortion of trade unionism, let the business unions secede from the TUC and form their own federation.

By the same token, the TUC should not imagine that it can overcome the present membership crisis by taking on powers and responsibilities that it is ill-equipped to deliver. Research, analysis, promotion and occasional arbitration are its proper function. The hard work of organising and bargaining belongs to its constituents.

The new thinkers in and around Congress House have performed the useful service this week of concentrating minds on one fundamental issue facing the union movement. But they have failed their subscribers — and an interested public — by seeking to bury the debate that should have followed. By the time their review of the problem is complete, the answer could well have changed. Much has been made of the parallel union experience in the US, and many of the TUC's bright new ideas are borrowed from the AFL-CIO. But it appears to have escaped their notice that the chronic decline in American union membership has been arrested. Over there, people seem to be turning to unions again as a means of protecting their jobs and their wages.

Guy de Jonquieres looks at the EC's progress towards its deadline for a single market

Many pitfalls on the road to 1992

THE DRIVE TO transform the European Community's hotch-potch of national markets into a single unit with 320m consumers has emerged as the most powerful impulse to further EC integration since its six original members agreed to the reciprocal dismantling of tariffs in the 1960s.

But how far does the EC Governments' commitment to the enterprise extend beyond the level of rhetoric? Will they really be prepared to deliver when the chips are down? And if they are, do they share any coherent vision of what a single market might look like and what wider implications it would have for economic and industrial policy?

Some of the answers, at least, should start to become clearer from this autumn, when the EC gets down in earnest to grinding through the detail of the European Commission's programme to eliminate by the end of 1992 all physical, fiscal and technical barriers between the 12.

A little more than two years since the goal was endorsed by EC heads of government at their Milan summit, progress towards it remains spotty and haphazard.

Out of a planned list of 300 individual directives, the Commission has proposed 190 to the Council of Ministers. Of those, only 75 have so far been approved. That is well behind the timetable originally envisaged, prompting expressions of concern from the Commission and from the heads of many large European companies.

However, until recently, the EC has been engaged in not much more than a gentlemanly sparring match. The gloves should come off now that qualified majority voting has replaced the unanimity rule in the Council of Ministers—a belated change which took effect only last July because of Ireland's delay in ratifying the Single European Act.

In theory, at least, that should speed up decision-making. Against that, the substance of the decisions is set to become tougher.

Many of the directives tackled so far have been uncontroversial, dealing with matters such as technical standards for pressure vessels. Most of the really contentious issues, which will test the resolve of EC Governments to sacrifice sensitive national interests to the greater good of the Community, have yet to be broached.

A glimpse of some of the fireworks ahead was given shortly before the summer break when the Commission presented its proposal for narrowing the differences between countries' value-added and excise tax rates. The near-universal outcry which ensued leaves little doubt that Lord Cockfield, the Commissioner responsible for the internal market, and his Brussels colleagues face a battle to get the directive adopted in anything like its present form.

Even on issues where national sovereignty is less obviously at stake, there is a sense in Brussels that resistance is stiffening as the programme advances. "Bureaucratic and sectoral interests are mobilising themselves to fight," says one senior Commission official.

"The message hasn't filtered down from the top. People in national capitals are simply not yet prepared to say no to special pleading by their industrial lobbies."

The Commission's principal weapons in this battle are moral persuasion and force of argument. Lord Cockfield has proved himself a master of both, cajoling governments in the manner of a Victorian nanny.

Receptiveness varies widely between countries. Nowhere has the programme achieved greater public prominence than in France, where politicians of widely differing colours have embraced it with surprising enthusiasm as a bracing challenge to national competitiveness.

In Italy, where the recent economic resurgence has been accompanied by bold trans-European expansion by several larger companies, approving references to 1992 crop up with increasing frequency in speeches by political leaders. The response in the Benelux countries is also broadly positive.

The British Government certainly supports the principle and used its EC presidency in the second half of last year to ram through an impressively large batch of directives. However, it has been stirred visibly to passion only by those proposals to which it is implacably opposed, such as the Commission's proposal to abolish zero-rating of VAT on food.

West Germany's position is more enigmatic. Officially, Bonn is favourable. But private contacts with West German politicians and industrialists have left senior Commission officials with the uneasy impression that they may only be interested in a programme which requires everyone else to align themselves with established West German norms.

There is much talk in Brussels of "the German problem" by which is meant flagging commitment to the Community ideal, born of inertia and complacency.

It is still not clear whether this attitude will translate into grudging acquiescence or active resistance. The test may come over harmonising EC technical standards, an emotive issue in German industry, which has justifiable pride in the superiority of its own standards. "The Germans will be isolated in opposition on a lot of standards decisions, and they know it," says one EC official.

However, the biggest stumbling block may lie elsewhere. Denmark, which holds the EC presidency until the end of this year, has clear reservations about the programme, the more so since its Nordic neighbours are anxious about its impact on their trade with the EC.

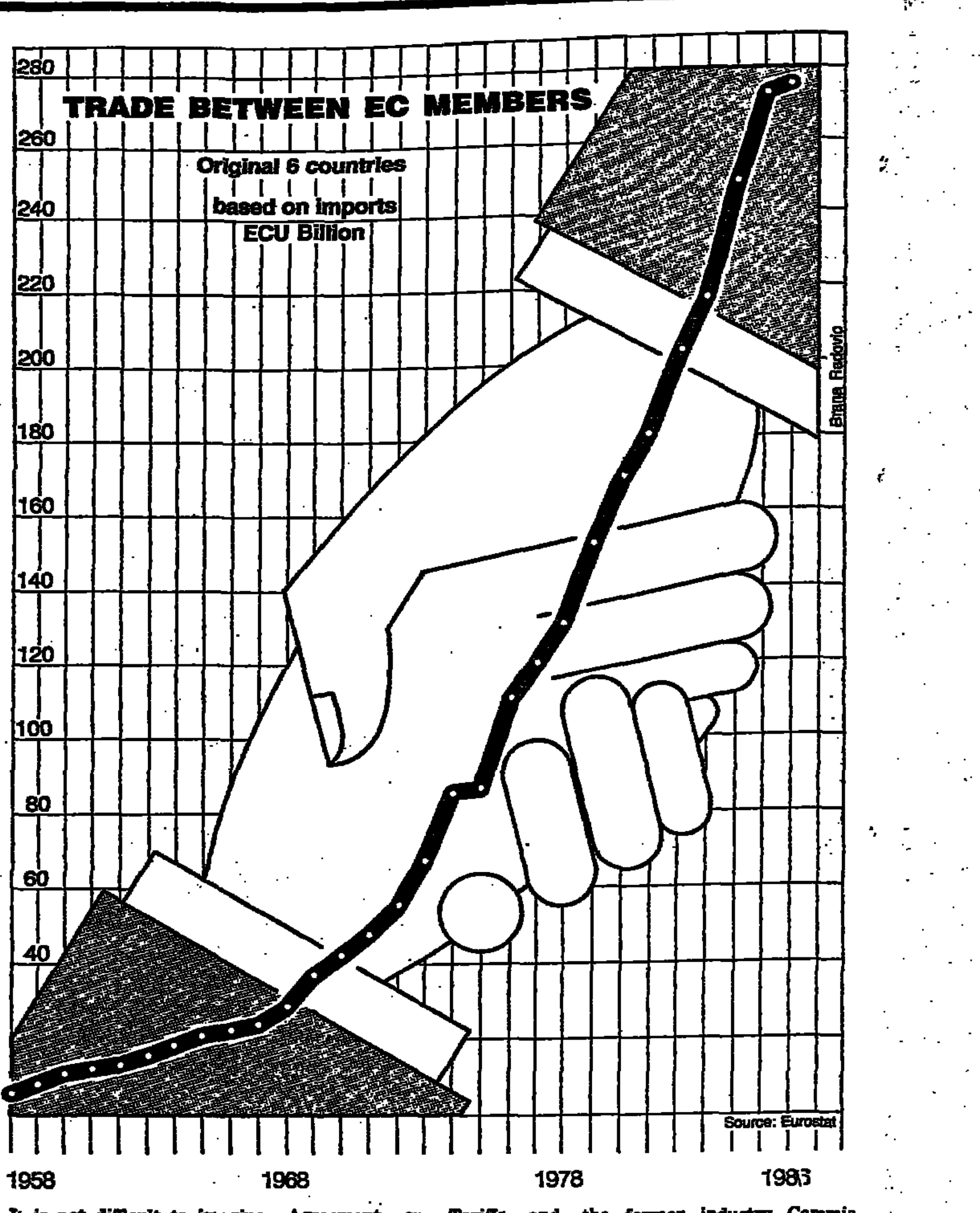
Meanwhile, Greece, Spain and Portugal, three of the poorer members, all face the arduous task of coping with the obligations of the programme while still in the midst of transition to full membership of the Community.

The danger is that EC cohesion could be strained to breaking point. Some experts are already warning that the full provisions of the programme may, in the end, be accepted only by a core group of richer member countries, thereby creating a two-tier Community.

That possibility was foreshadowed in a recent report on the future of the Community prepared for the Commission by a committee chaired by Mr Tomasso Padoa-Schioppa, deputy director of the Bank of Italy. Its recommended solution was a substantial increase in the EC's structural funds to aid the poorest regions.

The Commission has reacted warily. It is loth to get into a game of barter in which acceptance of the internal market is traded for promises of large resource transfers. It fears that this would lead to the Cockfield programme becoming inextricably bogged down in disputes about the financing of the Community budget.

Even if this pitfall can be avoided, there are numerous others still to be negotiated. While Lord Cockfield has singled out the approximation of VAT and excise taxes as the most important step towards the planned removal of all customs controls at internal EC frontiers, progress could easily be stalled by national insistence on maintaining border checks on veterinary and plant health.



It is not difficult to imagine the field day which some British politicians could have with EC proposals to abolish controls on rabies.

In services, the fastest-growing sector of the EC economy, but also the one most hemmed in by national restrictions, it is not clear that a majority exists in the Council for liberalisation; all the more so since the collapse earlier this year of efforts to introduce a modest amount of competition in air transport. And still to be braved, of course, is the difficult question of agriculture.

Equally ill-defined at this stage is what sort of external trade policies should accompany the creation of a single market. One school, headed by France, argues that unless EC defences against third countries are strengthened, the main beneficiaries of a single market may turn out to be non-European companies. Another, which includes the UK and West Germany, opposes any automatic move to raise protective barriers around the Community.

The Commission has actively avoided taking a formal position for fear of weakening the EC's hand in its increasingly fractious bilateral trade relations with the US and Japan and in the forthcoming Uruguay Round of multilateral negotiations in the General Agreement on Tariffs and Trade.

But the question cannot be ducked indefinitely, not least because the removal of internal obstacles in two important sectors depends on resolving external trade issues. These are motor vehicles, where Britain, France and Italy all have bilateral restraints on imports from Japan, and textiles, where imports are governed by the Multi-Fibre Arrangements, which set varying quotas for individual EC countries. In both instances, these limits could not co-exist logically with a single market.

External trade arrangements will also have an influence on EC competition policy, particularly on mergers, where the Commission is seeking to enlarge its role. In a single market, economic pressures for the restructuring of European industries across frontiers are likely to gow.

In view of all these uncertainties, many observers doubt that it will be possible to have the programme fully in place by 1992—still less to realise by integrated market
then the vision of a completely

Some experts, including the authors of the Padoa-Schioppa report, argue that much more emphasis must be placed on closer co-ordination of economic and monetary policy.

Viscount Etienne Davignon, the former industry Commissioner, is still more adamant: "I don't believe for one instant that you will get a real internal market unless you get a unified monetary policy."

For the moment, further moves in this direction remain low on the agenda of many EC Governments. The key question is whether the Community's decision to set its sights on the pragmatic, down-to-earth goal of completing the internal market reflects an abdication of efforts to achieve integration at loftier levels of policy, or whether pressure for such integration will reassert itself spontaneously as trade obstacles fall.

The answers are unlikely to emerge before 1992, and quite possibly not until much later. But as the Commission battles to make EC Governments live up to their commitments, it can at least take comfort in the knowledge that it is swimming with the tide.

International trends including deregulation, the quest for global markets and rapid technological change are conspiring to break down national market barriers worldwide. Ultimately, these forces are likely to prove more powerful than the capacity to resist of even the most determined EC Government or industrial lobby.

A second article next week will consider corporate responses to the single market.

Greener's large Scotch

To the modern marketing man one international brand is, in theory, much the same as another, calling for the same disciplines whether it be liquor or a cigarette lighter.

Yet to Tony Greener there is a clear distinction between the pens and perfumes he marketed at Dunhill and the Scotch whisky industry he will preside over as the new managing director of United Distillers.

"The disciplines of international marketing may be the same," he says. "But I would be the last person to claim to be knowledgeable about Scotch whisky. Mercifully there will be many people around me who know a great deal."

Greener, who is 47, may be a new boy in the world of Scotch whisky, but he is no stranger to United Distillers or to Guinness, its parent company.

He was one of the band of non-executive directors drafted into Guinness at the behest of the Bank of England last autumn in the wake of its bruising battle for Distillers, and before the scandal exploded.

After his years at Dunhill he is well equipped to tackle the task of turning United Distillers into a broadly based international drinks company.

Under his managing directorship Dunhill has been transformed from a cigarette lighter company into a luxury goods conglomerate embracing enviable brand names such as Chloe perfumes and Mont Blanc pens.

As a man recruited for his international marketing skills Greener's pedigree is rather unusual — by profession he is an accountant. In his spare time he puts that skill to a sporting use. He has been treasurer of the Royal Ocean Racing Club for the last five years.

Last month, sailing in his tenth Fastnet race, a tough 600-mile course, he crewed in Nirvana, the boat which won "line honours" by being first round the course.

Men and Matters

Gauntlett's dream

Victor Gauntlett, fresh from selling 75 per cent of the Aston Martin Lagonda luxury car company to Ford, surfaced at the Frankfurt Motor Show yesterday and professed to be "as pleased as a dog with two tails."

There are many things still to be sorted out, but Gauntlett, who remains chairman and chief executive of Aston Martin as well as a 12.5 per cent shareholder, can now see his dreams of building another factory alongside the existing one at Newport Pagnell, Buckinghamshire, possibly coming true with Ford's support.

There, Aston Martin would use new technology to build smaller, less expensive cars, perhaps costing £35,000 to £40,000 at today's prices, at the rate of about 1,000 a year.

Gauntlett stressed that the existing plant would continue to produce hand-built models which currently cost from £65,000 upwards, and it might be possible to increase annual output from 500 to 650 by being more efficient.

Aston Martin has had a chequered financial history. Four years ago, Gauntlett recalled, CH Industrials, then one of his partners in Aston Martin, baulked at providing another £250,000 to "refuel the business."

Gauntlett pointed out with a smile that today's reports suggest Aston Martin is worth anywhere between £10m and £25m. While giving no indication of the exact amount, he did admit: "Three years ago it was worth nothing."

Aston Martin has been profitable for the past two years, he said. The only reason the controlling shareholders, the Livanos family of Greece, which has shipping and oil interests, decided to sell out was "they realised they could contribute money but not the necessary automotive expertise."

Right woman

Richard Luce, minister for the arts (and the civil service), appears to have an altogether more robust concept of the firepower needed to manage his portfolio than any of his predecessors.

As his political adviser he has just appointed a formidable and articulate Conservative woman Elizabeth Cottrell, aged 46.

She has twice fought parliamentary seats for the Conservatives unsuccessfully (Redcar in 1979 and Ipswich in 1983).

She cut her political eye teeth contributing speech material for Margaret Thatcher during the Prime Minister's early years in office. Cottrell was then director of research at the Tory-financed Centre for Policy Studies.

In a party which is too Home Counties-based for its own comfort, Cottrell is a rare breed of Conservative—she is towards the right of the party but has impeccable working-class roots.

Her father was a miner in the North Wales coalfield. After Grove Park Girls Grammar School, Wrexham, she won a place at Cambridge, and eventually got a doctorate in history. She is married with a daughter.

What she will offer the government in the way of political direction of the arts is, as yet, unclear.

Since 1984 she has been actively engaged in consultancy work for the motor industry, and her written works cover such philistine matters as the British steel industry, and banking in the EEC.

But her friends agree she has a highly developed political instinct, which could play an important part in the development of the government's strategy for the arts.

Border lines

Not even the most sanguine onlooker could expect the signing of a variety of accords between East and West Germany to melt the four decades of icy relations between Bonn and East Berlin.

Just to underline the differences, both delegations brought out identical versions of the same communique at the close of two days of political talks in Bonn yesterday.

The East German press bureau managed to bring out its communique, in important-looking heavy type, a few minutes before the West German one. Wolfgang Schaeuble, the perennially cocksure Bonn Chancellery Minister responsible for arranging the talks, commented with heavy humour that this was an example of East Berlin leading the way in openness to journalists.

Both sides gave separate briefings yesterday in a concrete slab of a hotel near the Rhine. Wolfgang Meyer, the East Berlin press spokesman, read out a long series of statements designed, among other things, to dash decisively Bonn's notion that East and West Germany are in reality the same nation.

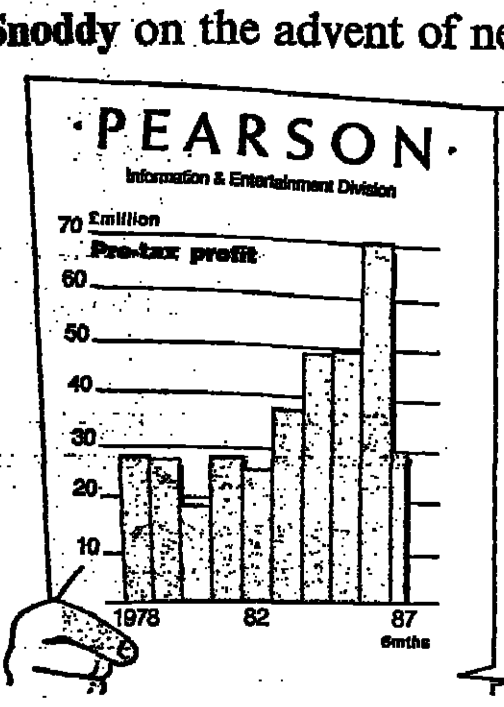
Inspite of the attention paid to the "German question," German journalists seemed reluctant to ask him questions afterwards.

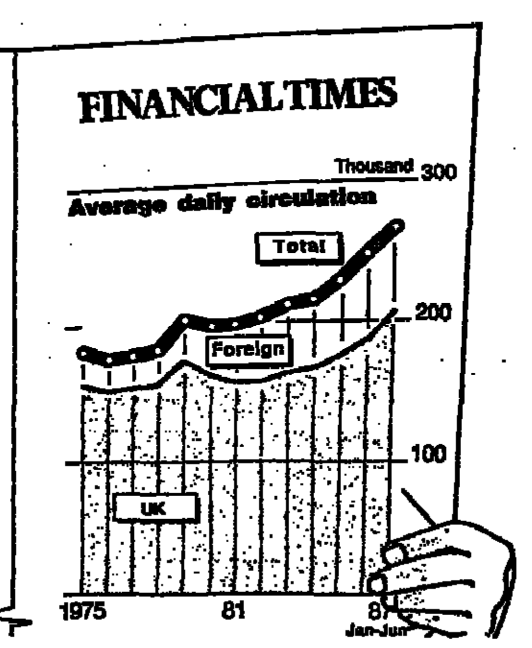
Asked whether, after the ceremony of Erich Honecker's visit, East Germany had finally lost its inferiority complex, Meyer replied archly that East Germans did not need to come to Bonn to lose any complexes.

As for Helmut Kohl's entreaties for Honecker to withdraw orders to shoot East Germans trying to flee across the border, Meyer stiffly observed: "Keeping order at the border is a matter which every sovereign state itself has to decide."

Observer

Raymond Snoddy on the advent of new technology at the Financial Times





Keeping pace with the revolution

THE FRONT and back pages of yesterday's Financial Times represented a revolution for the paper. Probably few readers noticed—the only clue was an impression of slightly thicker, blacker type—but the change was dramatic all the same.

The pages were produced by direct input and its introduction is a symbol of the technological change that has transformed production methods, manning levels, work practices and profitability in Britain's national newspaper industry.

Now a front-page story written by a journalist on an electronic screen will go, after on-screen editing, directly to a computer-driven automatic typesetting machine without any intervening process.

In the past, a journalist's copy had to be re-keyed by compositors creating metal lines of type on Linotype machines which were little changed in concept from the 1870s. This process, referred to as hot metal printing, is now on the way out at the FT.

Already the management and technology pages and survey articles are being set by the computer - generated "cold type," and the prices pages have been computerised for more than 10 years. The rest of the paper will follow in the next few months.

It will inevitably be a period of transition. Hot metal will co-exist with photo composition — "cold type" — making some pages look different from others.

Printing plates from cold type bromides used on the FT's existing 30-to-40-year-old presses will cause some deterioration in the quality of the type. Under the existing hot metal process an impression is made on a papier maché flong from a metal original; the flong is used in turn to create cylindrical printing plates. With the interim cold type process, the page has first to be filmed to produce a polymer plate before transforming this into a flong and printing plates.

The Guardian, for example, was so concerned at the smudgy appearance caused by the combination of technologies that it moved to contract printing around the country for the transition period while its new printing plant was being completed.

However, this was not an option open to the FT; local printers could not cope with such a large newspaper including numerous special surveys.

The FT is now experimenting with a slimmer typeface and adjusting inking processes on the presses to improve clarity during the next few months.

Until the new presses come on stream next July the paper has also decided to spend £200,000 on technology which will allow polymer plates to be used directly on the presses, reducing the number of processes and with it the danger of degradation.

"From next summer there will be a quantum leap forward in clarity, cleanness and general appearance of the whole FT," says Mr David Palmer, general manager of St Clement's Press, the separate Pearson company which prints the FT.

Direct input became inevitable in Fleet Street, despite the opposition of unions fearful of job losses, because of new titles such as Today and The Independent, but most of all because of Mr Rupert Murdoch's move to Wapping 18 months ago.

The FT is far from being first down this road. Nearly a year ago The Daily Telegraph and Sunday Telegraph began printing at new plants in London's Docklands and the move to direct input was completed at the end of August.

The Guardian is already directly inputting its City, sports and foreign pages and the transfer will be complete by Christmas.

The European Wall Street Journal, now selling about 37,000 copies, was a fully computerised newspaper from its launch in January 1983. The Journal itself, with a total circulation of around 2m, has been highly automated since the 1960s—although according to Mr Urban Lehrer, managing editor of the European paper, typewriters were still being used in its US editorial offices as recently as 1984.

Critics, such as media consultant Mr Harold Lind, believe the Financial Times should have moved to new technology years ago and that "it was a paper begging for computer technology." Mr Lind argues that a small - circulation, specialist newspaper with a virtual monopoly of certain types of advertising was in a much stronger position than Mr Murdoch to lead the way and introduce computer technology.

For the FT, the move to direct input is just one aspect of a fundamental transformation in the operation of the business as 20 years of change is compressed into 18 months.

Apart from the move to direct inputting, the paper is building a printing plant in London's Docklands. On schedule for completion next July it is equipped with the latest Goss Headliner web offset pressing.

The paper also recently announced it had bought new headquarters on the south side of Southwark Bridge for £74.4m following the sale of its present premises, Bracken House, to Japanese construction company Ohbayashi for £143m.

The changes in production methods come after years in which there has been bitterness and disruption. A strike by machine room staff in 1983 which took the paper off the streets for 10 weeks appeared to achieve little and Mr Frank Barlow, who became chief executive of the paper in 1983 at one stage issued individual writs against machine room workers.

Now, post-Wapping, Mr Palmer believes he has reached "satisfactory" agreements on redundancies, manning levels and working procedures with local printing union chapels for the new technology and printing plant, although the agreements have yet to be ratified at branch and national union level.

"After Wapping the management attitude is: 'we've got the bastards now'," said one printer with a resigned air.

Apart from around 400 "voluntary" redundancies, most to come from the 640 production workers, the unions have also been asked to accept lay-offs without pay if the failure to honour disputes procedures leads to a stoppage. Unions will be grouped into three pay-bargaining units — pre-press, press and post-press. Unresolved disputes will go to the conciliation service Acas, but will not involve binding arbitration.

"All the local chapels have agreed and I believe it will go through the unions at the end of the day. There is an inevitability about it," said Mr Dennis Tame, who represents 69 Linotype operators who will all be going. Most will be getting the maximum £50,000 redundancy payoff; the exact level of payoff will depend on years of service.

"We are all skilled men but it is a skill that looks like dying out," said Mr Tame.

The final deal emerging looks similar to those reached by the Daily Telegraph with its production unions.

The present changes are the culmination of a plan drawn up several years ago, partly with the threat of competition from the Wall Street Journal in mind.

"We were very far down the line in our plans before Wapping which is why we were able to announce them in such detail last year," says Mr Barlow.

The new Dockland presses will allow the FT to produce 56-page issues in two sections for the first time compared with the present 48. Additional editorial space will be devoted to coverage of foreign news and international markets.

The period of transformation comes as the paper's circulation is showing strong growth. The unaudited figure for August, when sales normally slide because of holidays, showed a new record of 311,000.

The Financial Times is also in negotiations for a second European printing plant in the area between Lille and Brussels. At the moment the paper is printed each day in Frankfurt and New Jersey as well as London.

Mr Barlow has decided that Europe should be the paper's primary target. It will try to sell as many copies as possible in both the American and Japanese markets.

As the Financial Times puts the final touches to its modernisation plans City analysts forecast strong growth.

Mr Derek Terrington, publishing analyst at stockbrokers Phillips and Drew, believes the Financial Times has been too relaxed about its move into overseas markets and in maximising the potential revenue from its database of information.

Despite that, he says the move to Docklands will save about £10m a year on payroll costs of £36m and "with its international appeal growing, the paper looks set to go from strength to strength."

A reformed EMS is right for Britain

By Gerald Holtham, Giles Keating and Peter Spencer

IT IS NO secret: the British Government has been living in sin with the EMS. Since February the pound has been pegged in the range DM 2.90-DM 3.00 without the UK actually joining the EMS's exchange rate mechanism. The debate in the UK has been about how long Britain can get away with this politically — and about whether it should tie the marital knot when the shotguns do come out.

That debate has been entirely insular and — astonishingly — has ignored an increasingly impassioned debate within the EMS about the future of the system. It is as if a self-absorbed old bachelor were cogitating on the advantages of marrying his mistress, without noticing that she was contemplating a sweeping change in life-style.

The French have tabled a series of proposals for reforms to the EMS, discussed at yesterday's meeting of central bank governors in Basle. Their effect would be to make European monetary policy a more co-operative affair. That would change the current situation in which the Bundesbank enjoys a unique autonomy in monetary policy.

For, whatever the intentions of its original framers, the EMS has worked as a D-Mark zone. The Bundesbank has set a monetary policy exclusively based on its perceptions of German interests. To reduce exchange rate changes, other EMS countries have had to converge on the German line. In general, the periodic realignments of currencies have not been sufficient to offset slower German inflation, and the other countries have lost competitiveness.

That was acceptable in the early and mid-1980s, when the overriding aim of macroeconomic policy was to reduce inflation. In effect, Germany buttressed the anti-inflation policies of its partners and was rewarded with advantageous access to their markets.

Now, the decline of inflation and doubling of European unemployment has created a situation in which priorities for policy are likely to diverge increasingly in European countries.

Moreover, the relaxation of exchange controls in nearly all EMS countries removes the scope for delaying realignments without damaging lurches of domestic interest rates.

Despite a convergence of inflation rates, therefore, currency realignments in an unreformed EMS are likely to remain as frequent as in the past. And their negotiation is likely to become messier because they will be more transparently about competitiveness and, therefore, relative unemployment, than they were at a time of higher inflation. No wonder there is ambivalence in the UK about joining the current system. But what of the proposed reforms?

The French want a joint approach of EMS countries to the dollar and yen. So the preferred value of the D-Mark against those currencies would depend on the views of EMS policy-makers outside Germany. Underpinning this, they want agred targets for monetary policy in each EMS country, a set of "indicators," not unlike those discussed in the G5 context, as a means to co-ordinate policy internationally. With such targets agreed, all EMS countries, including Germany, would have equal responsibility for protecting EMS parities.

This last would be achieved by countries being able to hold as much of each others' currency — including D-Marks — in their reserves as they wish. They could then use the D-Mark to intervene in foreign exchange markets before their currencies reach their EMS parity limits, without the permission of the Bundesbank. Moreover, the French suggest that the Bundesbank should provide credit lines to partner central banks to facilitate such direct intramarginal intervention.

All this is quite different from existing EMS rules. Now, the Bundesbank, or any other central bank, is obliged to support an exchange rate and make credit available to partner central banks only when the currency reaches its parity limit.

The reforms have naturally aroused Bundesbank opposition. So far the Bundesbank has been reluctant to afford credit lines to partners for intramarginal intervention—although yesterday in Basle it apparently agreed to do so on a case-by-case basis. It has been unwilling to compromise on this issue because of the fear that these reforms would threaten its control of the German money supply. At least one Bundesbank council member sees the changes as turning the world upside down and putting the EMS in the hands of higher-inflation countries rather than those stressing stability (ie, Germany).

That is a risk. If the Bundesbank were to surrender day to day control of German monetary conditions, in the interests of allowing other countries rather to defend EMS parities, what in the system would act as ultimate guarantor against a resurgence of inflation?

The answer must lie in the agreed indicators which must guide overall European monetary policy. If other countries are observing targets for nominal GNP or other aggregates denoted in money terms, the Germans could be obliged, under this scheme, to show flexibility with regard to their domestic targets in order to preserve exchange rates. If others were missing their targets, the Bundesbank could revert to control of domestic monetary conditions and would not be responsible for existing parities. The trick would be not to dilute the Bundesbank's credibility but to extend it to a broader range of indicators.

Discussions on indicators have begun but are apparently making slow progress. The Germans realise they have to show some flexibility so that the EMS is not so obviously a pure D-Mark zone but they have so far been reluctant to make real changes. The whole matter will be discussed aagin at the EC Ministerial meeting on September 13 and 14.

That is where Britain should come in. Reforms of the system along the French lines would remove one of the British objections to entry, and the one thought to weigh most heavily with the Prime Minister: namely that politically the UK cannot become a mere monetary satellite of Germany.

The entry of the UK into the EMS debate at this stage could be of great importance. Particularly if it was made clear that reform was a sine qua non for British entry. Success would forge a system that the UK could benefit from; failure would provide reason enough to stay out. It is time to stop havering over principles and start haggling over the marriage contract.

The authors are economists with Credit Suisse First Boston.

Broadcasting tests ahead

From the Director, Cable Television Association.

Sir, — Your leader "Broadcasting tests ahead" (September 7) was right to point out that direct broadcasting by satellite is especially favoured by government. The temporary monopoly that British Satellite Broadcasting will enjoy, however, is only a small part of the favoured treatment accorded to this enterprise. As the regulations stand BSB services are categorised as a "must carry" for cable television systems. While we look forward to having additional product to sell, we see no reason why we should be forced to negotiate the carriage of BSB channels with one hand tied behind our back.

Even more serious is that under current regulations no licence whatsoever will be required for BSB services to be carried on relay systems in blocks of flats — even inside a cable franchise area. Once BSB's three channels are provided in this way, much of the incentive for blocks of flats to connect with a cable operator's system will be negated, and could well bring development of cable in urban areas to a full stop. If cable was just another means of distributing television entertainment, this might be a matter of no great national concern. The government intention however is that the industry, although entertainment led, should become the third force in telecommunications by providing competition to BT at local level. By the unwarranted privileges accorded to BSB, government appears to be determined to stab its own ox. It is time to end the unique advantages that BSB has been accorded.

Nicolas Mellersh,
50 Frith Street W1.

Competing with vigour

From Mr J. York

Sir,—As chief executive officer of European Vinyls Corporation International, the joint venture between ICI and EniChem which is the subject of an article in your edition of August 26, I must take issue with some misleading comments therein.

Exemption under Article 85(3) if granted, will in no way imply exemption from price fixing or market sharing arrangements. EVC is competing vigorously, and will continue to do so, with about a dozen international companies in western Europe alone and throughout our many presentations to the Commission, it has been particularly alert to ensure that the concept of "workable competition" exists and will persist after the creation of EVC.

Acceptance by the Commission, after almost two years of detailed discussions, is an acknowledgement by it that the significant restructuring benefits far outweigh any theoretical anti-competitive effects. It is not a licence to contravene any of the Commission's strict anti-trust regulations.

John York.
Boulevard du Souverain 360, B-1160 Brussels.

Letters to the Editor

Independence of auditors

From the President, Institute of Chartered Accountants.

Sir, — The independence of auditors (September 8) is a matter of real public interest and an issue on which we welcome discussion, but your leader on the subject unfortunately contains a number of misconceptions.

It is not true that the accountancy profession has been "immune from the general trend" of government to attack restrictive practices while simultaneously increasing regulation. In recent years, the profession has removed its restraints on advertising with results that are seen almost daily in the pages of your own newspaper. The Office of Fair Trading is currently reviewing our rules within the scope of competition legislation to see whether any restrictive practices remain. Regulation of the profession has been or is being tightened in the fields of insolvency practice, investment business and auditing.

You say that there has been "no serious assault on the privileges of the profession." So far, as we are aware, the profession has no privileges. You do not mention any. You are not, I assume, suggesting that unqualified persons should be allowed to undertake audits.

You repeat the by now traditional insinuation that there is a conflict of interest between auditing and the provision of management consultancy services to audit clients. Professional guidance on this subject already exists to ensure that the auditor's independence is maintained. No evidence has yet been produced, nor is there any reason to believe, that there is a problem in this area.

You advocate statutory disclosure of fees paid to auditors for non-audit services. In the absence of a similar requirement for fees paid to non-auditors, this would merely distort management decision-making. The shareholders will be the losers.

Your claim that the Department of Trade and Industry proposes to maintain the present balance between statutory and self-regulatory arrangements for the auditing profession is so far from the truth as to be almost bizarre. The current debate on independence is part of a larger debate on the implementation of the EC eighth directive. The effect of implementation will be to establish statutory regulation and control of the auditing profession by the Secretary of State.

Your leader writer is also apparently unaware that the profession and the Department of Trade and Industry have already agreed that the monitoring of auditors should be introduced. This development has been reported in your own news pages in recent months.

Above all, the profession is well aware that, in the debate on outside shareholdings in audit firms, the overriding consideration must be the maintenance of unassailable safeguards for the independence of the auditor. No one disputes that. And on this issue I am happy to agree with your leader.

Arthur Green.
Chartered Accountants Hall, Moorgate Place, EC2.

Safety at work

From the Director-General, Health and Safety Executive

Sir, — Any proposal to improve the deteriorating state of safety at work deserves consideration. Mr R. N. Coult (September 4) suggests that the Health and Safety Executive should relieve itself of day-to-day inspection by providing under regulations that firms be regularly inspected by competent persons.

There are growing numbers of reputable safety consultants to industry who deserve (and receive) encouragement from HSE. Their role under new regulations (eg, on ionising radiations), and others to come, is increasing. The legal guarantee to them of an immense market at industry's cost, which is what Mr Coult is proposing, would, however, be a considerable further step.

In view of his brisk proposal that I should be sacked for not introducing this measure, may I suggest some complications? Quite aside from the likely reaction of employers, would not employees and the trades unions be likely to see privatisation of a large part of their protection as retrograde? Both sides of industry are represented on the Health and Safety Commission, which alone could introduce the regulations in question, and has in fact asked for more inspection by HSE. Might not the public also look askance if, say, the inspection of nuclear power stations, major chemical plants, dangerous pathogens laboratories, experiments in genetic manipulation, coal mines, etc, etc, were out of public hands? Or is there a line to be drawn? Where? And would a Government committed where feasible to reducing burdens on industry not wonder about so comprehensive a proposal and the costs of its enforcement?

I should point out that the Executive's major function of proposing safety standards for the entire range of individual processes, in consultation with industry, is indissolubly connected with the day-to-day work of our inspectors, whose daily observation of good (and bad) industrial practice enables them to advise on sensible and attainable standards. An office-bound system of laying down the law on detailed technical matters intimately affecting our industrial prosperity, as well as people's health and safety, would be very ill-advised.

J. D. Rimington.
1, Chepstow Place, W2.

The back office solution

From Mr D. Haycroft

Sir,—The back-office problem arises because a market, whose purpose is to serve the public, buyers and sellers, and thereby make an honest turn, seems to have lost touch with reality.

Changes long overdue have at last arrived and now the market is trying to catch up with a sophisticated domestic demand, world-wide trading shortly to be 24 hour and wonder products which seem a good idea at the time.

Mr Wilmot (September 4), I agree with your sentiment but it addresses a problem partly market made and part political. New shareholders want a simple process where from payment being made a share certificate is received and dividends are paid direct. If that is what they are offered and expect the market must adapt. If this results in a failure to deliver the deductions must be that the market is inefficient, the political thrust is wrong and that credibility in both aspects is diminished.

It may be possible to change the system as you suggest, but I think that the BP issue has overtaken your solution and the ability of the market to deliver will now be tested.

Derek B. Haycroft,
5 Burgon Street, St Andrew's Hill, EC4.

FINANCIAL TIMES
Wednesday September 9 1987

Judy Dempsey recently in Sofia reports on efforts to create a modern industrial state

Bulgaria's road to economic reform

THE DAY after Bulgaria's President and Communist Party leader, Mr Todor Zhivkov, made his monumental speech at the Central Committee Plenum in July, it was impossible to buy a copy of the party newspaper, *Rabotnichesko Delo*.

People seemed to be genuinely interested in what he had to say. It was no wonder. Eastern Europe's longest-serving leader had delivered one of the most radical programmes for restructuring the country's economy, as well as redefining the role of the Government and spelling out the scope of the Communist Party.

In his speech, the energetic 76-year-old had no qualms in singling out inertia and bureaucracy for blocking change. Neither did he shy away from criticising mismanagement, inefficiency and those party officials who took their jobs for granted. He called for more glasnost in the newspapers and proposed a major overhaul of the ministries and the structures of local government, which he described as "feudal barons." Old ways of thinking no longer had a place in Bulgaria.

Many of these criticisms have already been heard from the Soviet leader, Mr Mikhail Gorbachev. But Bulgarian officials are at pains to argue that what is taking place in their country is no mere replica of what is happening in the Soviet Union. They point out that the reforms in Sofia predate the waves of change in Moscow and that Bulgaria is embarking on its own road to restructuring.

"The process in Bulgaria began back in the 1970s, before Mr Gorbachev came on to the scene," said Mr Jaroslav Radev, an academician and deputy head of the state council, which is due to be disbanded.

Mr Radev is now responsible for drawing up amendments to the constitution and is one of the architects behind changes to be introduced in the National Assembly, or parliament, which could give this hitherto sleepy institution more power. But, if the reforms predate Mr Gorabchev, why did they take so long to introduce and where are they leading?

BULGARIA
Area:
110,912 sq km
Population:
8.9m (1985 census)
*Net Material Product:***
24,907m leva (1984)*
Imports:
14,002m leva (1985)*
Exports:
13,736m leva (1985)
**Total net value of goods & 'productive' services, including turnover taxes produced by the economy

*1984/5 Leva = about $1
Europa Year Book 1987

Officials in Sofia call the reforms a "process" which will lead to a modernisation of the economy. They willingly concede that, over the past few years, the overbearing centralised structures of the state and its suffocating bureaucracy have outlived their usefulness.

This is the view of Mr Andrei Lukanov, head of the newly formed Ministry for Foreign Economic Relations and a candidate member of the Politburo. Mr Lukanov is one of the younger generation of technocrats who now believes it is time the Bulgarian authorities chipped away at the structures of the state.

"After the war, the state had a real function," said Mr Lukanov. "It was necessary to industrialise the country. The state had to have all the means at its disposal to do this." Now, he said, Bulgaria had reached a new stage of development. It had to move away from extensive industrialisation to intensive production. That demanded far less interference from the state whose centralised structures were inhibiting the reforms, as well as devolving more responsibility and power to the enterprises.

The basis on which the enterprises will have more power and say in how they run themselves will be "self-management". But officials stress that this will not be in the Yugoslav style, being fully aware that the Yugoslav economy is not the best advertisement for self-management.

"*If we want to modernise the* Bulgarian economy, we have to give people a feeling that they have a stake in the running of the enterprise," said Mr Lukanov.

This means giving the workers' collectives the power to elect their own managers and allowing them to make their own investment decisions, supported by the newly formed "associations" to give advice.

This means the enterprises will no longer rely on instructions or plan targets from the ministries, whose powers will be severely curbed - if an enterprise cannot make ends meet, as a last resort, it will be declared bankrupt. Other officials openly argue that thousands of bureaucrats will lose their jobs as a result of the slimming down of ministries and their powers.

But after years of being accustomed to the state making the decisions and the party organisation interfering, as well as pampering the enterprises, do the expertise and skills exist on the ground to take on this new responsibility? Mr Lukanov and his colleagues think the process has to start sometime.

"Managers must develop qualities which, so far, had not been expected of them," he said. "It will take time. The state has to help in the process, not by interfering but by providing the knowhow, information and advice."

He and other officials are looking towards the future. "If we want to form a new generation of managers who are adequately trained, we have to give them responsibility - it is one of the ways in which the economy can be modernised," said Mr Lukanov, adding that those who stand in the way, or who are unwilling to face new responsibilities, will have to "step aside".

There is, as in the Soviet Union, resistance to these changes. Bulgarian economists, such as Mr Ivan Angelov, point the finger at middle management. Mr Gencho Arabadjiev, the deputy editor of Rabotnichesko Delo, said that the party organisations in the provinces built up corrupt little fiefdoms of power. This partly explains why, in one sweep last month, Mr Zhivkov got rid of the 29 provinces and replaced them with nine larger territorial structures.

The question is whether or not all the changes can be understood by the enterprise managers and the people. Sceptics say that because so many changes have taken place in the past two years - involving the setting up of new councils, the abolition of ministries, the disbanding of councils and the re-establishment of new ministries - that many people are confused.

Some Western businessmen think the reforms have been hastily drawn up, partly in response to pressure from the Soviet Union and partly in response to Mr Zhivkov's determination to demonstrate his flexibility.

"There is no doubt we are enthusiastic and pleased with what Mr Gorbachev is doing. He gives us great encouragement," is a common riposte. Officials warn, however, that the patient citizens can expect more changes in the near future if Bulgaria is to gear itself up to becoming a modern industrial country. Mr Zhivkov's reforming spirit, they insist, has a long way to go.

Schlueter looks set to lose working majority

By Hilary Barnes in Copenhagen

DANISH Prime Minister Poul Schlueter's four-party minority coalition, which has governed Denmark since 1982, looked set to lose its working majority after yesterday's election. But the opposition Social Democrats did not look as if they would be in a position to form a government.

A forecast last night, based on 27 per cent of the votes counted, suggested there would be a non-socialist majority of 93 seats in the 179-seat Folketing (parliament).

However, Prime Minister Poul Schlueter's coalition will only be able to remain in office with the support of the tax-protest Progress Party, which looked set to advance from six to nine seats, and would therefore hold the balance of power.

The equivocal affirmative which the voters were apparently preparing to give the coalition could cast the country into a new period of political uncertainty.

Two new parties were being given a chance of gaining seats by two of yesterday's three opinion polls, the Greens and the unorthodox Common Cause communist party, led by the chairman of the Seamen's Union, Mr Preben Moeller Hansen.

The polls had earlier indicated that the tax-protest Progress Party might also increase its representaton.

The leader of the Radicals, Mr Niels Helweg Petersen, has said that his party could not support a government which had to rely on the votes of the Progress Party and predicted "chaos" if this arose.

Mr Schlueter, it was earlier thought, might also lose the support of one of the two representatives for the Faroe Islands whose vote has saved the coalition from defeat on two occasions.

Mr Anker Joergensen, leader of the Social Democratic Party and Prime Minister for nine of the 11 years from 1972 to 1982, did not seem to have much chance of returning to power.

He insisted throughout the dull election campaign, in which the only real issue seemed to have been the choice between Mr Schlueter and Mr Joergensen, that he would not form a new government unless his party improved on its 1984 performance.

The current Folketing (Parliament) comprises: Social Democrats 56, Radicals 10, Conservatives 43, Socialist People's Party 23, Centre Democrats 8, Christian People's Party 5, Liberals 23, Left Socialists 3, Progress Party 4, Greenland 2, Faroes 2, total 179.

THE LEX COLUMN

Walking the plank at Hill Samuel

The latest upheaval at Hill Samuel looks like being a test case for the ethics of the new City. In planning the secession of an entire corporate finance department, the two sacked executives were doing nothing new in principle, though there is a touch of novelty about the scale. Analytical and other teams have been marketing themselves collectively for years, and though Hill Samuel argues that the two executives were in breach of their fiduciary duty - being directors of the banking subsidiary - there is doubtless precedent for that as well.

The ethics of the case are complicated by the fact that Messrs Swete and Roshier took the initiative in disclosing the outlines of the deal to their employers, whose agreement as principals was taken to be necessary. But Hill Samuel's response, though unusually vehement in City terms, is hardly surprising in a wider context. One pictures the reaction of an ICI board, say, on being told by executives that they had been privately negotiating the sale of a division to a BASF or a Dupont.

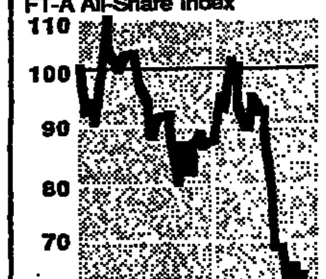
In acting as it did, Hill Samuel may well have frustrated the deal with the mystery buyer, at least in its planned form. But either way, the damage seems done. The whole debacle sheds an unwelcome light on the state of morale after the collapse of the UBS talks, and any executive who felt ready to join the original defection will scarcely feel more settled now. The 20p fall in the share price yesterday to 662p looks like balanced recognition of the increased certainty of a bid, and the reduced value to a bidder.

British Aerospace

Interim results are probably regarded as a misleading irritant at British Aerospace, with its seven year lead-times. It is, however, rather a surprise to find the market taking the same view. Eyes are so firmly fixed on the optimistic prospects for 1988 that bigger than expected losses in the civil aircraft division - and consequent chopping of full year forecasts - actually boosted the share price. This is partly because the civil losses included the current effect of sterling's rise against the dollar (as well as cost over-runs on fixed contracts), but also provisions for such future losses.

Nevertheless, a rating of 13 seems to owe more to the fact that the share price has been

British Aerospace
Share price relative to FT-A All-Share Index



tumbling less fast than estimated full year earnings than to real faith in 1988. The order book may look good but a civil aircraft break-even is not guaranteed and neither is currency stability. Added to which the growing dependence on US defence expenditure does little for quality of earnings. Aerospace's longer-term bet on civil aviation deserves to succeed, but meanwhile more acquisitions capable of the returns produced by Royal Ordnance in these figures would be welcome. Otherwise raising the 15 per cent limit on foreign shareholdings will attract precious few takers.

Hambro Countrywide

It is too early to say whether Hambros has stumbled on another money spinner which could match the phenomenal success of its previous Hambro Life Assurance investment. But its recent move into the estate agency business can no longer be dismissed as a rather eccentric diversification by a once proud merchant bank which had lost its way. First half profits of its majority-owned Hambro Countrywide estate agency business rose by 74 per cent, and the latter's £25m forecast for the full year helps explain the recent rerating of Hambros shares, which rose another 7p to 361p yesterday.

Hambro Countrywide is rapidly transforming itself from a sprawling group of suburban estate agencies into a fast growing financial services group whose main point of sale, to borrow the jargon, is the estate agent. It has already moved on from the simple business of buying and selling houses for its clients and is very active on the mortgage broking business. Yesterday's innovative deal with Guardian Royal Exchange, which will provide it with an up and running life insurance company, enables it to add a whole new range of products to its distribution system, while protecting its future margins.

Bowater

Bowater's £89m rights issue makes the company seem more than ever like a lump of cash looking for something to do. This need not be a bad thing, given that a pragmatic BTR-style approach has replaced the old uneasy attempts to make sense of what had become a rag-bag of businesses. There is a further note of uncertainty, though, in the news that Bowater is shortly to branch out into a further unspecified new direction, probably in US manufacturing.

The financing method is equally unclear. The rights issue, limited in size by the company having reached the limit of its authorised share capital, is not big enough to do anything important with. But given the new management's willingness to live with 100 per cent gearing in the short term, it leaves scope for cash expenditure of close on £400m. Although the issue looks safe enough, it seems unlikely that the shares will go much above their present 528p until plans become clearer.

Booker

Three years after being bid for, Booker no longer needs to justify its escape from Dee's attentions. With that pressure off, it can afford to indulge in remarks about profit growth slowing in the second half and disregard an 11p fall in the shares to 458p yesterday. That is a somewhat short-sighted response by the market. Booker's expansion in agribusiness, where the bulk of profits arise in the first half, counterbalances the food distribution side, which relies on second half trading for its profits. And at present the former is growing much faster than the latter.

With plenty of cash available for acquisitions, Booker's rate of profit and earnings growth should keep well up with the sector. On £63m pre-tax this year (£54.6m) the prospective multiple is an undemanding 14½ and the likely yield over 4½ per cent. Booker has yet to earn a premium rating but is on the way there.

Pickens launches $6bn bid for Newmont

BY JAMES BUCHAN IN NEW YORK

T. Boone Pickens: impressed Wall Street

MR T. BOONE PICKENS, the Texas corporate raider, yesterday launched an all-out assault on Newmont Mining, the US gold and energy group, with an offer to buy out the company's shareholders for $95 a share or about $6.3bn.

In a move that sharply increases the pressure on Newmont Mining and its main shareholder, Consolidated Gold Fields of the UK, a group led by Mr Pickens began a cash tender offer for 28m shares or just over 42 per cent of Newmont Mining's stock. The shares would give the group, which already owns 9.95 per cent of Newmont Mining, a majority of the stock and a platform to buy out the remainder.

Yesterday's announcement deeply impressed Wall Street, dispelling most doubts in the investment community that the group, which is led by Mr Pickens' relatively small Mesa Limited Partnership, could raise the money for a credible offer for Newmont Mining, which will soon be America's largest gold miner.

Analysts say that the cash offer, which comes at a time of nervousness about US stock prices, will be attractive to holders unless Newmont Mining or ConsGold, its 26.3 per cent shareholder and ally, can come up with an alternative. "They've been caught a bit flat-footed," said Mr William Siedenburg, an analyst at Smith Barney, the US investment bank.

As late as last Friday, the market feared that Drexel Burnham Lambert, the powerful investment firm which has created a vast market for high-yielding bonds to finance takeovers, would not be able to find "junk bond" investors for such a large and aggressive deal.

But in language which has come to be feared by corporate managements all over the US, Drexel Burnham said yesterday it was "highly confident" it could arrange the most difficult part of the financing, not only for the $2.66bn tender offer but to buy out the remaining 50 per cent of Newmont if the tender is successful.

However, the Pickens group, which has already invested $425m in Newmont, must put up a further $600m in equity for the tender, while Wells Fargo has promised a credit facility of $450m. Nikki Tait in London adds: ConsGold said yesterday that it had no contact with Mr Pickens and currently had no intention of changing its stance.

EMS changes agreed by central banks

Continued from Page 1

Germany has opposed this multi-currency approach as being too unwieldy, complex and difficult to operate. Mr Ciampi said the multi-currency idea went "beyond the subject which was under discussion." Improved working of the EMS was a pre-condition for such a change.

Mr Ciampi's sit-down briefing in a hotel room was almost unprecedented by the tight-lipped standards of Basle, where central bankers' remarks are usually confined to a few words outside the Bank for International Settlements, where they meet monthly.

German central banking sources expressed satisfaction with the agreement, saying it meant a greater willingness to intervene within the 2.25 per cent fluctuation margin above and below a member currency's central points (Italy is allowed 6 per cent).

But there was no actual obligation to do so. They said the aim of the package was to strengthen the internal stability of the EMS. It would also help the EMS withstand strains from a weaker dollar.

US objects to Brazil's debt conversion

Continued from Page 1

agreement between Brazil and the IMF.

This stance would appear to be designed to put some pressure on the banks to come quickly to an agreement with Brazil which would allow it to resume paying interest and reduce the risk that Brazil's moratorium becomes a precedent which other major debtors might be tempted to follow.

The moratorium is putting growing pressure on US banks, because US regulators next month may declare Brazilian debt "value-impaired."

Though it remains unclear whether Brazil will seek a rapprochement with the IMF, yesterday's US Treasury statement said: "With respect to possible Paris Club action, Secretary Baker and Minister Pereira understood that any Paris Club rescheduling (of official debt) would require a formal IMF standby arrangement."

Australian coal strike threat to foreign exchange earnings

BY CHRIS SHERWELL IN SYDNEY

AUSTRALIAN coal miners were yesterday heading for a national strike, starting tonight and likely to last at least a week.

The resort to a strike, after the failure of weeks of talks between unions, the mining companies and the Government, will hit output of the world's largest coal exporting country.

It also poses a threat to Australia's largest foreign exchange earner when international prices are low, markets are tight and the country continues to face balance of payments difficulties.

Union officials said miners were angry at their treatment by employers, frustrated at the lack of action by the Government and concerned about the industry's future. "The time for rhetoric is over," said Mr Jim Maitland, the Miners Federation chief.

The miners are protesting against thousands of job losses and changes in work practices sought by the mining companies to help the industry survive the harsh external environment.

The unions want the Government to create a national coal marketing authority to support the domestic industry. The Government has refused.

The companies have also sought reductions in taxes and other government charges to reduce their operating costs. Progress on this has been minimal.

An earlier strike threat receded six weeks ago after the intervention of Mr Bob Hawke, the Prime Minister. Miners agreed to delay industrial action for a month provided that employers put off any cost saving measures for the same period.

When the period ended, companies operating relatively inefficient underground mines in New South Wales went ahead and issued retrenchment notices.

It became clear that job losses were unavoidable even if the companies won the other changes they sought. The Government admitted large-scale cuts were inevitable.

Workers reacted bitterly, and miners in New South Wales decided to stop work. Yesterday the national liaison committee of the Miners Federation agreed to launch a national strike.

Although there are sizeable coal stockpiles allowing many companies to meet export orders, some may be obliged to declare force majeure if the strike lasts more than a week.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	27	81	Malta	F	27	81	Rhodes	S	27	81
Algiers	S	29	84	Edinburgh	F	15	59	Manchester	F	15	59	Rio de J'o	-	-	-
Amsterdam	F	17	63	Faro	S	31	88	Manila	-	-	-	Rome	S	27	81
Athens	S	29	84	Florence	S	27	81	Melbourne	F	14	57	Salzburg	C	15	59
Bahrain	S	35	95	Frankfurt	S	18	64	Mexico City	-	-	-	San Francisco	C	13	55
Bangkok	S	33	91	Funchal	S	26	79	Miami	S	25	77	Seoul	C	25	77
Barcelona	F	27	81	Geneva	F	22	72	Milan	S	25	77	Singapore	F	31	88
Beirut	-	-	-	Gibraltar	F	26	79	Montreal	C	19	66	Stockholm	C	15	59
Belfast	C	14	57	Glasgow	F	15	59	Moscow	C	11	52	Strasbourg	F	19	66
Belgrade	S	28	82	Guernsey	C	16	61	Munich	R	14	57	Sydney	S	19	66
Berlin	F	18	64	Helsinki	C	13	55	Nairobi	C	23	73	Taipei	-	-	-
Biarritz	C	23	73	H. Kong	S	32	90	Naples	F	28	82	Tangier	F	28	82
Bombay	F	29	84	Innsbruck	R	16	61	Nassau	-	-	-	Tel Aviv	S	29	84
Bordeaux	F	23	73	Inverness	R	14	57	New Delhi	S	34	93	Tenerife	F	29	84
Brussels	F	17	63	Islamabad	-	-	-	New York	Fg	22	72	Tokyo	F	31	88
Budapest	C	25	77	Istanbul	F	24	75	Nice	S	26	79	Toronto	R	19	66
B. Aires	S	19	66	Jakarta	-	-	-	Nicosia	-	-	-	Tunis	S	30	86
Cairo	S	32	90	Jersey	F	18	64	Oporto	S	24	75	Valencia	S	31	88
Cape Town	C	16	61	Jo'burg	S	17	63	Oslo	F	16	61	Venice	S	25	77
Caracas	C	28	82	Lima	-	-	-	Paris	C	17	63	Vienna	R	16	61
Casablanca	F	25	77	Lisbon	S	31	88	Peking	-	-	-	Warsaw	C	16	61
Chicago	C	24	75	London	F	19	66	Prague	F	15	59	Washington	R	23	73
Cologne	F	19	66	Los Angeles	C	18	64	Reykjavik	S	11	52	Zurich	F	19	66
Copenhagen	F	17	63	Luxembourg	F	16	61								
Corfu	S	31	88	Madrid	S	31	88								
Dallas	S	21	70	Majorca	S	29	84								
Dublin	C	14	57	Malaga	S	28	84								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Dollar support fails to dispel pessimism

Continued from Page 1

relatively modest - totalling between $150m and $200m - and during European trading at least there was no sign of intervention by the US Federal Reserve.

Senior European officials said that the goal was to inject a note of caution into recent dollar selling and to signal that February's Louvre agreement to stabilise the US currency remained in force.

Central banks believed that present exchange rates were broadly sustainable and that speculative attacks on the dollar could be countered by a mixture of intervention and monetary policy.

The Federal Reserve's endorsement of the upward trend in interest rates in the US and the decision by Japan and West Germany to hold down their rates, despite relatively rapid monetary growth, was cited as evidence of such co-operation.

The officials acknowledged, however, that the Federal Reserve may face difficulties in raising interest rates further, while protectionist sentiment in Congress has inhibited the US Administration in its support for the dollar.

In those circumstances, some "shading down" of the informal target ranges agreed at the Louvre might be forced on finance ministers when they meet in Washington later this month.

Foreign exchange dealers said that the short-term outlook for the dollar was likely to be determined by Friday's trade figures for July, which are widely expected to show another large deficit. If that proves to be the case further declines are expected.

The dollar closed in London at DM1.7925, only fractionally higher than Monday's DM1.7920, although well above the lows seen before the central bank move, while sterling was little changed at $1.6595 against $1.6600.

GAF chairman leads $2.3bn buyout offer

BY GORDON CRAMB IN NEW YORK

MR SAMUEL HEYMAN, the lawyer and property developer who in the last four years has built the New Jersey-based GAF into a leading producer of special chemicals and building products, yesterday launched a management offer to take the company private in a buyout valued at some $2.3bn.

The proposal, which would provide $64 cash and $2.50 in debentures for each share, sent GAF shares soaring $14¼ higher in early New York dealings to trade at $68¾.

Mr Heyman won the chairmanship of GAF after a hard-fought proxy battle in 1983, going on to launch takeover bids for Union Carbide and Borg-Warner, two large but embattled chemical manufacturers. Although neither of these succeeded, GAF made profits in the hundreds of millions from the subsequent sale of its stakes.

In his time at GAF Mr Heyman has consistently proclaimed the enhancement of investor wealth as his prime aim. However, the shares, after a sevenfold increase, have not been performing as well this year as some analysts had expected, despite uninterrupted growth in earnings.

Yesterday he pointed to the 22 per cent premium over last week's closing price which his deal would represent and preferred to take a longer historical view of GAF's market rating.

Noting that he had been elected "on a platform to maximise shareholder values," he said his management found satisfaction that acceptance of their offer "will have created increased shareholder values of more than $2bn as a result of the more than 800 per cent increase in GAF's stock price." Mr Heyman personally owns about 8 per cent of GAF and could thus expect to raise nearly $173m cash if the deal went through.

The management group which he is heading said it intended to finance the transaction with its own funds and a syndicated bank loan led by Chase Manhattan, as well as additional funds to be raised through Drexel Burnham Lambert and Merrill Lynch Capital Markets, the two investment banks which have been retained as advisers to Mr Heyman's team.

The proposal will be evaluated by a committee of four independent directors advised by Salomon Brothers.

GAF had sales last year of $753.8m, from which it made net profits of $293.2m – this included a $201.4m net gain from the sale of shares in Union Carbide. In the first half of this year, when profits reached $174m, a gain of $97.1m was recorded from its tender of Borg-Warner stock to a rival group led by Merrill Lynch.

GM expects profit in Europe

BY KENNETH GOODING IN FRANKFURT

GENERAL MOTORS, the world's largest automotive group, will produce a substantial net profit for its European operations in 1987 after chalking up losses totalling over $1bn in the past three years.

Mr Bob Stemple, who this week took over as GM's president, said it would be "a profit to be proud of – big enough to grab your attention."

This would be achieved in spite of continuing problems in the UK subsidiaries and a long strike at the Spanish car assembly plant this year.

Mr Stemple, speaking during the run-up to the Frankfurt Motor Show, said that GM's Vauxhall car business in Britain was "clearly coming round." It would achieve an operating profit this year after a record net loss of £61.7m ($101m) in 1986.

The Bedford commercial vehicle operations in the UK, until recently losing £500,000 a week, was reducing the deficit month by month. "But it is still a struggle," he added.

GM would make a profit in Spain in 1987 for the second year running, Mr Stemple predicted and the Opel subsidiary in West Germany would be profitable for the first time in three years, to take GM's total European car operations back into the black.

Last year GM suffered a net loss of $343m in Europe, a slight improvement on the $371m lost for 1985.

Mr Stemple recalled that last year exceptional items accounted for $360m of the loss. Of that nearly $100m went to cover the ending of medium and heavy truck production by Bedford and further restructuring of its van operations.

Mr Stemple said GM's new European organisational structure, which had involved setting up a new headquarters for the car division in Zurich, Switzerland, was working well. In particular the new organisation was doing a good job in finding alternative supplies to replace high cost West German components.

He revealed that GM would continue to make a profit in Latin America this year (there was a marginal $32.6m net profit in 1986), that Australia would break even and that in total GM's business outside North America would be in the black in 1987.

BTR wins US deal with first bid terms

By Steven Butler in London

BTR, the UK industrial conglomerate, yesterday succeeded in its $33 a share, $220m offer to acquire Stewart-Warner, the Chicago-based diversified engineering group.

The deal came through at BTR's initial offer price despite weeks during which Mr Bennett Archambault, Stewart Warner chairman, held out for a better offer.

Mr Edgar Sharp, chief executive of BTR Inc, the US subsidiary, said the agreement on price was reached at the weekend, after lapsing of the mandatory waiting period under US anti-trust legislation.

The Stewart-Warner share price had climbed to about $37 after the BTR announcement of the offer in early August but by last Friday had settled down to $33½.

Mr Sharp said BTR stuck firmly to the original offer and told Stewart-Warner on Saturday it was final.

The deal none the less contains an unusual provision aimed at discouraging alternate bids for the company prior to completion of the deal. BTR currently holds some 17 per cent of Stewart-Warner shares but has now obtained options to purchase 1.2m new shares at $33, amounting to 18.5 per cent of the company.

This would take the total stake close to 36 per cent and make it extremely difficult for a rival bid to succeed. "It is simply a situation of locking the company up," said Mr Sharp.

The options would be allowed to lapse in the absence of a competing bid.

Stewart-Warner had 1986 sales of $268m although it lost $20.1m at the pre-tax level after making a $23.7m write-off for restructuring.

George Graham in Paris reports on the sudden health of French state industry

CDF-Chimie stages a recovery

FRANCE'S state-owned heavy industries are making a faster return to health than had been expected, Mr Alain Madelin, the country's Industry Minister, said yesterday.

CDF-Chimie, the state-owned chemicals group, is expected to return to profit this year, Mr Madelin said in a newspaper interview. This is the first time this decade the group has moved out of the red.

The earnings of CDF-Chimie, formerly the chemicals offshoot of the state coal industry, together with the profit expected from the state car group Renault, are expected to balance the losses of the nationalised steel group Usinor-Sacilor, which may be reduced to half their 1986 level.

Mr Madelin said his aim was to restore these three enterprises to equilibrium "so that they should no longer be a burden on the taxpayer after 1988."

The return of CDF-Chimie to profit this year has caused surprise. Mr Serge Tchuruk, the company's new president, said four months ago that he hoped to return to profit in 1989, but the chemicals market has proved more favourable than expected.

Company officials were yesterday cautious about forecasting the level of this year's eventual profits and would not reveal CDF-Chimie's results for the half year. The group has accumulated FFr12bn ($2bn) of losses in its 19 years of existence but received a FFr3.1bn "last chance" capital injection from the Government earlier this year.

Mr Tchuruk has already begun a severe restructuring of CDF-Chimie. This has involved bringing the investment bank Paribas into the capital of its inks subsidiary, Lorilleux International, and merging the group's fertilisers operation, AZF, with La Grande Paroisse, a fertilisers offshoot of the industrial gases group, Air Liquide.

The merged fertilisers activities are, however, not expected to return to profit until next year or 1989 whereas the inks and specialised chemicals sectors were already in the black last year.

Usinor Sacilor, the recently merged state steel group, meanwhile announced yesterday that it had halved its current loss in the first half of 1987, before tax and exceptional items, to FFr805m, compared with FFr1.62bn in the same period of 1986.

Alain Madelin

The main turnround came in the stainless and special steels subsidiary, Ugine, which made a current profit of FFr280m in the first half compared with a loss of FFr130m in the same period of 1986.

In flat products, where the group was already profitable last year, earnings rose from FFr340m to FFr420m. After a difficult start to the year, Usinor Sacilor believes the better conditions of the second quarter will continue.

The group's welded tube and steel trading operations both returned to profit in the first quarter after losses in the same period a year ago, but heavier losses were recorded in the bar and rod division, Unimetal, and its subsidiaries.

Unimetal lost FFr490m compared with FFr405m a year ago while the whole long products division saw its deficit deepen to FFr750m from FFr610m in the first half of 1986. This represents a loss of over 15 per cent of turnover.

The restructuring already undertaken – including the closure of the Longwy steelworks and the Rombas rolling mill, and the rationalisation of pig iron production in the Lorraine region, should help to compensate, at least in part, for the 17 per cent fall in long product prices over the past year, the company said.

Usinor Sacilor last year recorded total losses of FFr12.5bn, including FFr9bn of exceptional restructuring costs. This year the exceptional losses are expected to be significantly reduced, the company said.

Corning Glass Works to sell electronics division

BY OUR FINANCIAL STAFF

CORNING GLASS WORKS, the US manufacturer of specialty glass products, has agreed to sell its worldwide electronic components division to AVX, the US electronic parts group, and Vishay Intertechnology for about $106m in cash.

Corning, whose products range from Pyrex tablewares to optical equipment, said AVX would pay about $67m and Vishay, a much smaller Pennsylvania-based electronic components group, the rest.

Corning said sales of the division this year were expected to total about $150m, with each purchaser acquiring operations with sales of about $75m.

The selling company said AVX would buy its capacitor operations in Raleigh, North Carolina, Biddeford, Maine, and Singapore while Vishay would buy Corning's resistor operations in Bradford, Pennsylvania, its Electrosil unit in Britain, its Sovcor business in France and its Draloric offshoot in West Germany.

The company said AVX and Vishay were expected to continue operating all the division's plans and to offer employment to virtually all the unit's 2,600 employees.

The transaction, which is subject to government approvals, is expected to be completed by year-end.

Argonaut and Clarendon fail to agree bid terms

BY OUR FINANCIAL STAFF

ARGONAUT GROUP, a Los Angeles-based casualty insurer spun off from Teledyne last year, said yesterday it had been unable to reach agreement with Clarendon Group, a Bermuda-based insurer, over the latter's $600m bid for the company.

Dr D. W. Schrempf, Argonaut Group president and chief executive, said: "After several weeks of discussions among management, lawyers and investment bankers for the two companies, we have not been able to arrive at a definitive agreement. At this point, we do not anticipate that we will."

Clarendon, a closely-held concern which is a big investor in high-yield junk bonds, offered in July to buy all Argonaut's outstanding stock for $52 a share in cash.

Mr Schrempf said neither Argonaut's current or future financial condition nor its marketing prospects had been a factor in its inability to reach an agreement.

He added that Argonaut was continuing to consider its available alternatives, including negotiating a comparable transaction with other parties who have expressed serious interest. The possibility of a restructuring of other internal corporate programme which would be designed to enhance the value of Argonaut Group common stock is also noted.

INTERNATIONAL COMPANIES and FINANCE

Chris Sherwell on a landmark decision for New Zealand companies

Ruling smooths restructuring plans

A LANDMARK court decision in New Zealand has paved the way for a smoother and speedier restructuring of the country's corporate sector through mergers and acquisitions.

The decision, made in Wellington by the Court of Appeal last month, sprang from the proposed merger of New Zealand's two biggest food manufacturers, Goodman Fielder and Wattie.

In essence the ruling gives the Commerce Commission, New Zealand's anti-trust agency, greater discretion in dealing with merger applications coming before it. The commission will now be able to impose conditions on merger parties, and they in turn can avoid repeated applications.

The implications obviously spread wide. More immediately, however, the outcome has increased the chances of the Goodman Fielder-Wattie merger going ahead.

It has also improved the odds on a takeover of another big company, New Zealand Forest products, in which both Fletcher Challenge and Rada have been aggressively building share stakes.

The two cases foreshadow the creation of globally powerful New Zealand-based multinationals in the food and pulp and paper sectors. As it is, Fletcher Challenge and Goodman Fielder are themselves the result of mergers between large companies in recent years.

Future amalgamations and takeovers of big New Zealand companies—all part of the restructuring encouraged by the Labour Government's *radical programme of deregulation*—are also certain to benefit from the Appeal Court's decision.

The case itself related to the powers exercised by the Commerce Commission, one of three key agencies responsible for regulating corporate affairs in New Zealand.

In the deregulatory climate of the past three years, both the Commerce Commission and the Securities Commission — the third agency is the commercial affairs division of the government's Department of Justice — have become a focus of controversy.

Arguments have raged over whether they are needed at all (the view ofthe purest economic rationalists) or should have greater lattitude to curb the worst effects of otherwise untrammelled market forces.

The Securities Commission is currently reviewing legislation relating to takeovers, insider trading and financial accounting in all of which New Zealand has a relatively relaxed regime

While these deliberations are likely to bring some

A recent court ruling appears to have increased the chances of success for two large mergers pending in New Zealand by streamlining the process of official approval. The courts have clarified the powers of the Commerce Commission and have given it wider scope to consider the practical steps merger partners can take to meet the authorities' anti-trust concerns

tightening in the area of disclosure, the overall climate is generally in favour of minimum regulation, leaving it to investors themselves to look after their own interests.

In the case of Commerce Commission, the overriding principle is that its activities should complement deregulation by ensuring that a competitive environment is preserved.

The agency operates a prenotification system like the US, where all mergers and acquisitions above a certain value must receive official clearance before going ahead.

The Commisison deals with most cases within three working days. Where the competition issues are serious, the Commission undertakes to decide the matter within 100 working days — a source of frustration for bigger merger parties.

Under its controlling legislation, the Commission is supposed to allow mergers to go ahead unless the companies concerned acquire or strengthen their position of dominance in the marketplace.

Even where that occurs, the Commission must still allow mergers to go ahead if the benefits which accrue to the public outweigh the disadvantages.

In dealing with applications before it, questions of what constitute market dominance or public benefit have generally posed few serious difficulties.

But the Commission and New Zealand's business community have faced a troublesome procedural problem. This is the question of whether it could take into account divestments which would be implemented only after it has cleared the proposed merger.

Mr John Collinge, the Commission's chairman, has long argued that it could not. This meant there was no room to discuss changes in merger plans if the Commission was against them.

Although the applicants could appeal to the High Court, this is a cumbersome process which could sometimes entail a resubmission to the Commission for fresh consideration.

In the case of Goodman Fielder—Wattie, the two companies did appeal to the High Court but first reached agreement on divestments which might accommodate the objections of the Commission.

In addition, they reached settlements with 19 companies whose businesses might be affected in the markets where the new entity's dominance concerned the Commission—in poultry, stock feed, flour milling, yeast making and bread

The High Court ordered that these new proposals be put before the Commission, which would then report back to the Court. The two companies were unhappy with this outcome, and resorted to the Court of Appeal.

In his 23-page ruling, Mr Justice Cooke of the Court of Appeal not only reversed this ruling but went on to clarify the authority of the Commission.

When a proposal, original or revised, included some divestment, he said, it was a discretionary matter for the Commission to decide the bearing which that divestment would have on the question of whether the merger unacceptably *increased market dominance.*

The Commission, he indicated, could choose for itself whether there should be a contract or some form of undertaking to divest after clearance was given for the merger. Alternatively, it might insist on divestment being completed before clearance.

The outcome does not mean that Goodman Fielder-Wattie merger will automatically go ahead, as Mr Collinge himself has since made clear. But the Commission will consider the revised merger proposals, and speedily.

Indeed, the practical effect of the decision, a streamlining of the approval process for mergers and acquisitions, is not only a welcome outcome for *New Zealand's business community* — it is for the Commission as well.

Most bank creditors agree to help Tateho

BY YOKO SHIBATA IN TOKYO

MR RYOICHI Nishiwaki, managing director of Taiyo Kobe Bank, said agreement has been reached by all but one of the bank creditors of Tateho Chemical Industries to shelve repayment by the company of some Y20bn ($141m) in loan principal.

Taiyo Kobe, the company's largest creditor bank, and owner of a 4.9 per cent stake in Tateho, is to send a team of accountants to take charge of its financial affairs.

Daiwa Bank, Saitama Bank, Sumitomo Bank, Dai Ichi Kangyo Bank, Kyowa Bank and Hanshin Sogo Bank have agreed to the postponement of the principal payment.

Chugoku Bank, an Okayama-based regional bank, has declined to accept so far. It has been demanding repayment of a Y1.2bn impact loan, which falls due tomorrow. However, Mr Nishiwaki said he believes that Taiyo Kobe, which is Tateho's principal bank, will be able to reach agreement with Chugoku Bank.

Marui ahead in first half

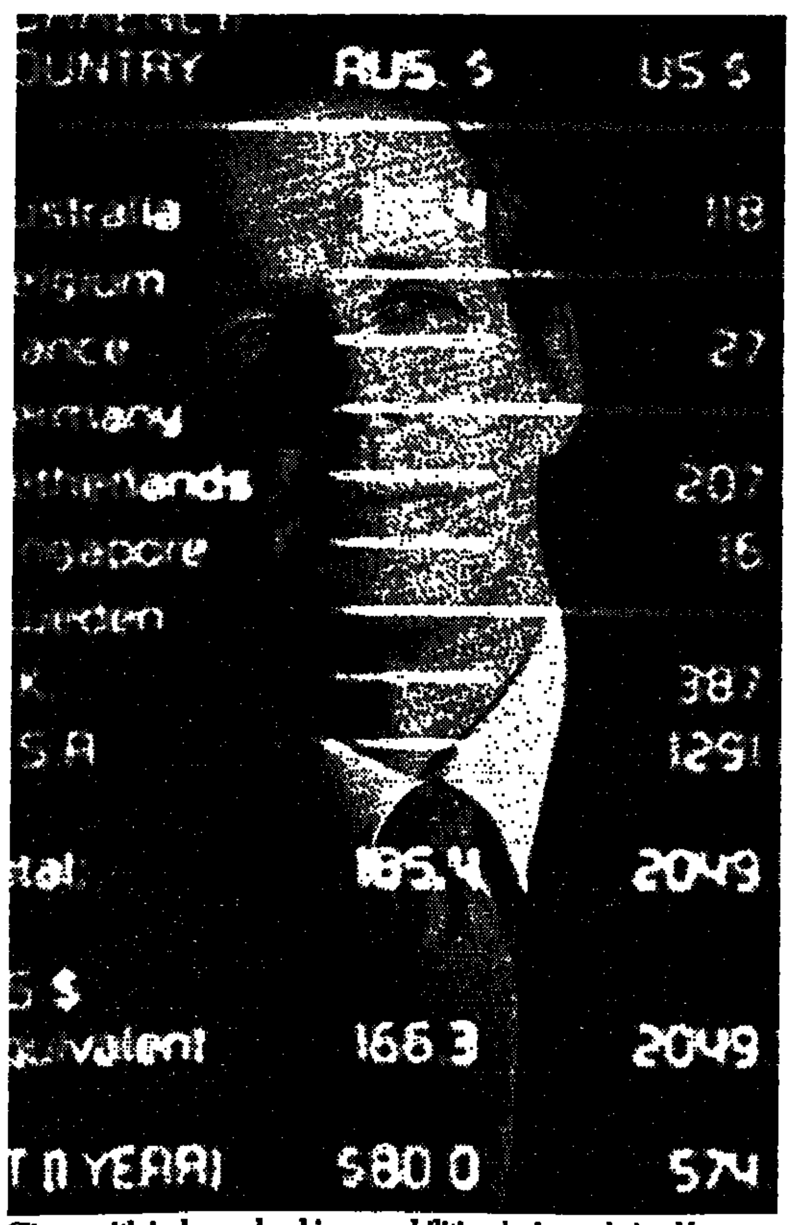
BY OUR TOKYO STAFF

MARUI, JAPAN'S largest credit sales store, boosted pre-tax profits by 12.3 per cent to Y20.1bn in the half year to July. Net profits were 14.2 per cent higher at Y9.48bn, on turnover of Y204.19bn, up 11.3 per cent.

More than half its stores achieved double-digit sales growth.

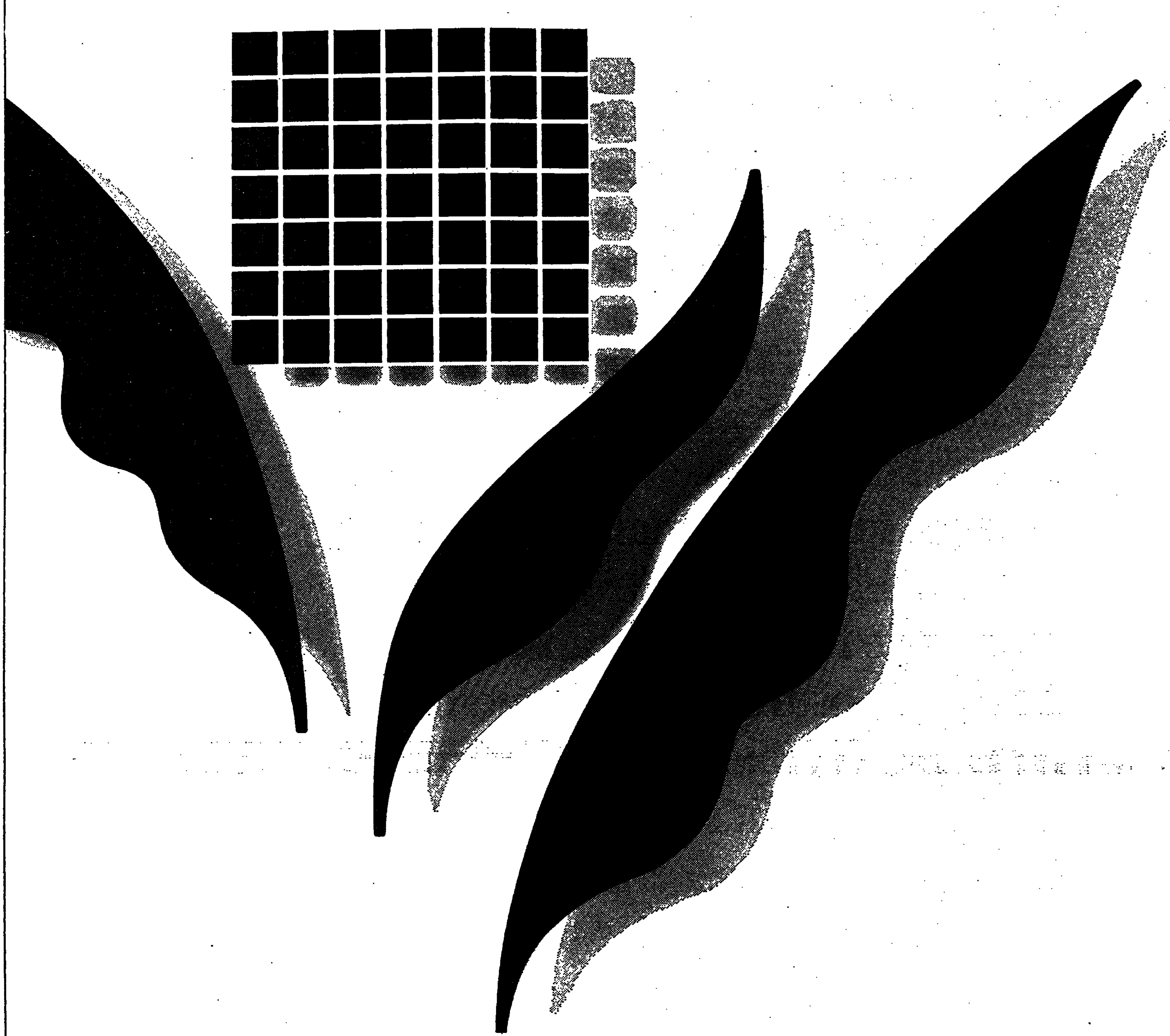
"Some might say encouraging clients to become competitors is the height of folly. We feel otherwise."

There are times when helping clients meet a strategic need means helping them do what we used to do for them. For example, with J.P. Morgan's guidance a number of multinationals have set up in-house banks to achieve better treasury management. Now they arrange their own swaps, manage their own currency exposures, provide credit to their clients, finance major projects. Results: funding costs are reduced and credit ratings are often strengthened. At J.P. Morgan we welcome the fact that clients are dealing in the markets for themselves. The more professional our clients become, the more opportunities there are to interest them in new ideas.



Clients with in-house banking capabilities don't stop being Morgan clients; they just test our resources in different ways.

JPMorgan



Ideas bring growth to finance.

The birth of Ferruzzi Agricola Finanziaria.

In October 1985 Gruppo Ferruzzi set out its plans to create one of the biggest agro-industrial groups in the world, to extend its activities into new sectors and to expand into new continents.
In less than two years Gruppo Ferruzzi has become the largest agro-industrial group in Europe and the third largest in the world.
Furthermore it is the second private-sector industrial conglomerate in Italy with an aggregate turnover of over 18 billion dollars.
The Group's idea to use agricultural products for industrial and energy uses, and its related programme for environmental protection is a focal point of international debate. The driving force behind this extraordinary expansion has been Agricola Finanziaria, the Group's holding company.
Its success on the financial market has allowed it to make large-scale investments such as the acquisition of CPC Europe, leader in the starch sector, the acquisition of a controlling interest in Montedison and Béghin-Say, and the restructuring of the sugar sector which makes the Group Europe's leading sugar producer.
The market capitalization of the Agricola Finanziaria group amounts to about 20 billion dollars.

And now it is time for it to grow even more.
Agricola Finanziaria is increasingly identified with Gruppo Ferruzzi and so Ferruzzi Agricola Finanziaria has been born.
All the activities of the Group will converge in the new holding company so that in due course Ferruzzi Agricola Finanziaria and Gruppo Ferruzzi will form a single entity.
Its theatre of operations is increasingly worldwide.
Ferruzzi Agricola Finanziaria will span five continents.
Its widely diversified activities follow a single vertical structure from agriculture to services, from trading to agro-industry, from chemicals to the advanced services sector and finally to numerous industrial and financial shareholdings.
Ferruzzi Agricola Finanziaria will be quoted on all the main European Stock Exchanges including London and Paris. This will lead to a broad national and international shareholder base in line with the Group's importance.
The cycle is in constant movement: two years ago ideas brought growth to finance. Today

Finance is bringing growth to ideas.

Ferruzzi
Agricola Finanziaria

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Dollar sector continues to retreat despite intervention

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

DOLLAR BOND prices continued their retreat in Europe yesterday amid continued doubts about the stability of the dollar despite concerted central bank intervention in support of the US currency.

Although central bankers attempted to show solidarity in support of the dollar following their meeting on Monday in Basle, many in the market remain sceptical that they can do anything but slow the US currency's fall.

Worries, too, about the US trade figures for July, due to be released on Friday, and a possible further rise in the US discount rate depressed sentiment. Most forecasts are for a trade deficit of around $15bn but some market participants seem to be concerned that the figure could be larger.

Declines in the Eurodollar bond market, where prices of 10-year maturities fell by up to a full point, again outstripped the falls in the US Treasury market and the yield differences between the two markets continue to widen.

In falling markets, greater emphasis is laid on liquidity and the ease of turning around positions, dealers said in explanation. There was little evidence yesterday, though, of the retail selling which characterised last week's trading.

By contrast, the yen market rallied, gaining ground in Tokyo and rising further in London trading later. The benchmark 89th government bond was quoted around 5.16 per cent in the afternoon, compared with the 5.35 per cent official Tokyo Stock Exchange close and the previous day's 5.48 per cent.

There was talk of foreign retail interest in the yen market, perhaps based on recommendations to buy from some of the Japanese securities houses, although dealers attributed most of the rally to dealers' short-covering.

Domestic Japanese investors seem to be out of the market for now. They seem happy to use the half-year accounting period as a pretext for standing

INTERNATIONAL BONDS

back from the market amid the uncertainty triggered by the Y28bn in bond futures losses announced last week by Tateho Chemical Industries, the industrial company.

Being yen-based, Japanese institutions cannot take advantage of the possibility of a yen against the dollar, and market psychology continues to be poor, amid concerns about tension in the Gulf.

The West German market again retreated, although it recovered some of its losses late in the day to finish up to ½ point lower. The main concern in Germany seems to be that the dollar's continuing decline is likely to trigger a further rise in the discount rate, which would in turn lead to a worldwide round of interest rate increases.

The declines have been significant in recent weeks to push yields on top-rated foreign bonds, say for European Investment Bank and the World Bank, over 7 per cent for 10-year paper.

The Swiss government bond market began yesterday to catch up with the retreat in recent weeks in the foreign bond market. The average yield in the government market, a sluggish indicator, rose by 7 basis points.

Foreign bond issues were mixed, although underlying sentiment remained weak, because of worries that Swiss interest rates would have to follow other world interest rates higher. As if to reinforce this point, the six to 12 month rate for Swiss francs time deposits was raised to 3.5 per cent from 3.25 per cent.

In the international market, the primary sector was again dull.

Nikko Securities (Europe) repackaged Y20bn of 4.5 per cent seven-year bonds for Hokuriku Electric into a yen floating rate note. The issue, in the name of a sole purpose vehicle, CIVAS V, for Y9bn carried a margin of 19 basis points over six-month Libor over seven years.

Elsam, the Danish power company, brought a Y5.1bn five-year issue through Mitsui Finance. The coupon was set at 8.5 per cent and the price at 116⅝, a combination which has attractions for Japanese investors. The issue was not expected to be widely traded.

VW's eight-month sales show 7% rise

BY HAIG SIMONIAN IN FRANKFURT

CAR DELIVERIES by Volkswagen (VW), Audi and SEAT in West Germany rose by 7 per cent to 600,000 vehicles between January and August this year, said Mr Carl Hahn, VW's chief executive, yesterday during the run-up to the Frankfurt motor show.

Sales in other European markets in the period increased by 10 per cent to 740,000 vehicles.

The upturn in Germany, which was "far above the industry average," according to Mr Hahn, meant VW's domestic market share increased to 29.8 per cent against 27.9 per cent last year.

This year VW expects to repeat its 2.76m group vehicle sales achieved in 1986, despite producing up to 100,000 fewer vehicles in Brazil.

The European sales have been greatly boosted by a sharp rise in sales by SEAT of Spain, which reached break-even point in May this year and was trading profitably by June, and the "truly outstanding" acceptance of the new Audi 80/90 range, said Mr Hahn.

Group sales in Spain rose 26 per cent in the first eight months of this year.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September ..

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	91¼	91¾	−0¼	−1½	9.93
All Nippon Air 9⅝ 97	100	92⅞	93⅜	−0⅜	−2¾	10.56
American Brands 8⅞ 92	150	95¾	96¼	−0¼	−1⅞	9.94
A/S Eksportfinans 7⅝ 93	100	89⅞	89⅞	−0⅜	−1⅝	9.91
A/S Eksportfinans 7¼ 92	150	90⅞	91⅜	−0½	−1⅜	9.82
BP Capital 9⅛ 94	100	†99⅞	99⅞	0	0	9.29
British Telecom 7⅝ 96	250	85½	86	0	−1	10.09
British Telecom 8⅞ 94	150	95	95⅜	0	−1⅞	9.87
Campbell Soup 10½ 95	100	102⅜	102⅞	−0⅜	−2⅛	10.01
Canada 9 96	1000	94⅞	95⅛	−0½	−2½	9.90
Canadian Pac. 10¾ 95	100	102⅛	102⅝	−0¼	−1¼	10.36
CCCE 7⅛ 91	113	92½	92⅞	−0⅜	−1⅜	9.63
CNCA 7¾ 91	150	91⅛	91⅝	−0½	−1⅝	9.79
Citicorp 8¼ 93	200	†89¾	89¾	−0⅜	−2	10.71
Credit Lyonnais 9 91	200	98⅞	99	−0¼	−1¼	9.45
Credit National 7⅞ 92	100	91½	92⅛	−0⅜	−1¾	9.65
Credit National 7¼ 91	150	94¼	94⅞	−0⅜	−1⅞	8.83
Denmark Kingdom 7⅛ 92	500	89⅞	90⅛	−0¼	9.95	
Denmark Kingdom 8¼ 91	300	95¼	95¾	−0⅜	−1⅝	9.69
EEC 7 91	300	91½	92	−0¼	−1⅜	9.43
EEC 7¼ 93	250	89¼	89¾	−0⅜	−2	9.79
EEC 8¼ 96	100	88⅜	89	−1½	−3½	10.26
EIB 7⅝ 93	100	89¼	89¾	−0⅜	−2¾	9.94
EIB 9⅝ 97	150	94⅞	95⅜	−0½	−2⅝	10.17
Finland 7⅞ 97	200	84¼	84¾	−1⅜	−3⅜	10.54
Finland 7½ 93	200	89¼	89¾	−0⅜	−2	9.90
Ford Motor Cred. 10½ 91	150	102¼	102¾	−0⅜	−1⅝	9.72
Ford Motor Cred. 11⅞ 90	100	105¾	106⅛	−0¼	−1⅛	9.35
Gen. Elec. Cred. 10¼ 00	200	101⅝	102	−0¼	−1	10.00
GMAC 8¼ 89	200	98¾	99⅛	−0⅜	−1⅛	8.83
Hoesch 8¼ 97	100	88¾	89¼	−1¼	−3⅜	10.08
Hoesch 7⅞ 92	100	93⅜	93⅞	+0⅛	−1	9.13
Hoesch 7⅞ 94	300	91⅛	91⅝	0	−1⅜	9.78
Liberty Mutual 8½ 96	150	†89⅞	90⅛	−0¼	−2¼	10.29
LTCB of Japan 8 91	100	95⅛	95½	+0¼	−0⅜	9.50
LTCB of Japan 8 97	200	84⅞	85⅜	−0⅜	−2¼	10.56
Mercds.-Benz Cred. 7½ 93	100	92	92½	+0⅜	−1¼	9.25
Mercds.-Benz Cred. 8¼ 92	100	97⅞	98	−0½	−1⅜	8.86
Mitsubishi Fin. 7⅞ 93	100	†88⅞	89⅛	−0⅜	−2⅛	10.90
Mutual America 7⅝ 92	100	92⅜	92⅞	−0⅜	−1⅛	9.81
Norway Kingdom 7¼ 91	500	†92⅞	93⅛	−0⅜	−1⅜	9.49
Pepsico Inc. 7⅝ 93	200	89⅞	90⅛	−0⅜	−1⅛	9.76
Prudential Corpn. 8¾ 94	125	93⅞	94⅜	−0¼	−2⅜	10.02
Qantas Airways 10⅞ 95	140	99½	100	−0⅜	−2⅞	10.41
Queensland Govt. 10¼ 95	100	98¾	99⅛	−0¼	−2¼	12.47
Ralston Purina 11⅝ 95	150	105¾	106⅝	−0⅜	−2	10.59
Saab Scania 9½ 91	125	99	99½	−0½	−1½	9.73
Saskatchewan 10¾ 92	100	102⅞	103⅜	−0½	−1⅞	9.82
State Bk. S. Aust. 9¼ 93	100	96¼	96¾	−0⅜	−1⅝	10.09
Statoil 10 90	170	102	102½	+0⅜	−0½	9.08
Swed. Exp. Cred. 7¼ 91	100	92½	93	−0⅜	−1	9.37
Swed. Exp. Cred. 10 92	100	101⅝	102⅛	−0¼	−1½	9.47
Sweden 7 91	250	92¼	92½	−0½	−1½	9.36
Sweden 7 92	250	91⅛	91½	−0⅜	−1½	9.49
Sweden 8¼ 96	200	91⅞	92⅜	−0⅜	−2⅝	10.15
Sweden 8½ 92	200	95¾	96¼	−0⅜	+0½	9.55
Taiyo Finance 7¾ 94	100	87¾	88¼	−0⅜	−1¼	10.33
Toyota Motor Cred. 8 89	100	†98¾	99¼	−0¼	−0⅜	8.59
Toyota Mtr. Cred. 7⅛ 92	150	†90¾	91¼	−0⅜	−1	9.72
Victorian Rep. 11⅞ 92	150	106	106⅝	−0½	−1½	9.88
World Bank 7 92	300	†91¼	91¾	−0¼	−1⅜	9.43
World Bank 9 97	300	95⅛	95⅝	−0⅜	−2½	10.08
Yasuda Tst. Fin 8½ 93	100	†92½	93	−0½	−1⅝	10.20

Average price change on day −0½ on week −1¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Arab Banking 5½ 92	150	96⅛	96⅝	−0¼	−0⅜	6.40
Avis Fin. Svs. 5⅞ 92	100	99	99½	−0½	−0½	6.06
Bank of Greece 6½ 95	150	95⅞	96¼	−0⅜	−1⅝	7.20
Bank of Tokyo 5¾ 93	100	97⅞	98⅜	−0¼	−1¼	6.15
BMW 5¼ 96	200	89⅞	90⅜	−0½	−1⅜	6.77
Degussa Int. 6⅛ 97	200	94	94½	−0⅜	−0⅜	6.95
EIB 5½ 98	150	87½	88¼	−0⅜	+3½	7.16
EIB 6 97	300	93	93¼	−0¼	−2¼	6.98
EIB 6⅛ 96	300	93¾	94½	−0⅜	−2¼	7.04
EIB 6⅛ 97	400	93¾	94½	−0¼	−2¼	6.98
EIB 6⅞ 95	300	99⅛	99⅝	−0¼	−0⅜	6.97
Euro. Coal & Steel 5⅞ 97	175	91⅛	91¾	−0¼	−2	7.14
Eurofima 6¼ 96	100	95⅛	95⅝	−1	−2	6.95
Elec. de France 5¾ 97	300	90¾	91⅜	−0⅜	−1⅛	7.05
Hoesch Intl. Fin. 7 95	100	99⅜	100¼	+1	−1¼	7.03
IADB 6 97	200	92	92⅜	−0⅛	−1½	7.11
IBJ 5⅝ 96	200	90⅞	90⅞	−½	−1¼	7.11
Japan Finance 5¾ 97	100	90⅞	91⅝	0	−1⅛	7.04
Ireland 6½ 97	300	†95	95½	0	−1	7.19
Korea Dev. Bank 6⅝ 93	100	99⅞	100⅜	−0⅜	0	6.56
Malaysia 6¾ 94	150	96⅞	97½	−0⅜	−0¼	6.76
Mitsubishi M. 3⅛ 89 XW	100	95⅞	96¼	−0⅜	0	5.20
Portugal 5¾ 92	150	98⅜	99	−0⅜	−1	6.08
Portugal 6⅝ 95	150	98⅞	99⅛	0	−0⅜	6.83
Royal Insurance 5½ 92	300	100	100½	−0¼	0	5.43
Statoil 6¾ 97	200	95	95½	−0⅜	−1½	7.25
Soc. Cent. Nuclear 7¼ 95	150	101⅞	102½	−0⅜	−0¾	6.90
Soc. Cent. Nuclear 8 91	100	104¼	105⅛	−0⅜	−0⅜	6.58
Stnweag 5½ 96	100	92⅞	93⅜	0	−0⅜	6.56
Tokyo Elec. Power 6 97	300	91½	92⅛	−0¼	−1½	7.22
World Bank 6¼ 97	600	94⅞	94⅞	−1¼	−2¼	7.27

Average price change on day −0⅜ on week −1¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅝ 96	100	†101	102	0	−1	5.41
Amer. Corpn. 5¼ 01	200	†90	90½	0	−1	6.33
Asfinag 5 02	250	†96½	97	0	−0⅜	5.32
Bayer W/W 2½ 02	250	†109	109¾	—	—	1.80
BBL W/W 2¾ 97	100	†101½	102	—	—	2.55
Elec. de France 5 07	100	†98½	99	+0½	−0⅜	5.10
EIB 4⅝ 97	200	†96	97	+0⅜	+0⅜	5.09
Humana 5⅛ 98	120	†97½	98	−0¼	−1½	5.41
Industrial Credit 5¾ 96	75	97⅛	98	−0¼	−2¼	6.07
Japan Dev. Bk. 5⅛ 97	100	†101½	102	−0½	−0⅜	4.90
Newfoundland 5⅛ 02	150	†99¾	100	0	0	5.14
Polly Peck 6 92	75	†101½	101⅞	—	—	5.57
Prov. of Manitoba 4¾ 94	200	†101¼	101⅞	0	−0⅛	4.50
Prov. of Manitoba 4⅞ 02	100	†97½	98	+0½	−0⅛	5.04
Qantas Airways 4¾ 97	110	†95¾	96	+0⅛	+0⅜	5.29
Settsu Euro. 0 01	100	†47	47½	−0¼	0	5.71
TNT 5 95	100	†100	100⅝	—	—	4.98
USX Corpn. 5¾ 98	100	†97	97¾	−2	−1	6.32
World Bank 5 02	200	†94¾	95	—	—	5.51

Average price change on day −0⅛ on week −0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	92⅞	93¼	−0¼	−2	5.91
EIB 4⅝ 94	40	93⅜	93¾	+0⅛	−1⅞	5.82
Elec. de France 5⅛ 94	20	96¼	96¾	+0⅜	−1⅝	5.77
Kansai Electric 4⅝ 94	60	92⅞	92⅞	+0¼	−1⅞	6.00
Norway 4⅛ 92	60	94⅞	95⅛	+0⅜	−1⅝	5.50
SNCF 4⅞ 93	20	96	96½	+0½	−1¼	5.66
Sweden, Kingdom 5⅛ 95	20	98⅛	98⅞	+0⅛	−1⅞	5.84

Average price change on day +0⅛ on week −1¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14½ 90 A$	50	100¾	101½	−0⅛	−0?	13.62
American Brand 9½ 94 £	50	95½	96⅛	−0⅛	+0	10.40
Amer. Express OC 10 94	40	95⅞	96⅜	+0⅛	+0	10.83
Bergen Bank 15 90 A$	50	†101¾	102⅜	0	0	13.74
Canadian Pac. 10⅜ 90 C$	75	101	101½	0	−1	9.87
Chrysler Corpn. 10 92 C$	75	97⅛	97⅞	+0¼	−0⅞	10.07
Coca-Cola F. C. 17 90 NS	75	†100⅜	101⅛	−0¼	−1¼	16.42
CoE 8⅞ 95 LFr	600	†104¾	105¾	+0¼	+0¼	7.96
Creditanstalt 14⅛ 90	60	101	101½	−0¼	−0½	13.49
Denmark 7¾ 92 Ecu	100	93⅜	93⅞	−0⅜	−0⅞	8.12
DG Finance 14⅞ 92 A$	50	105	105⅝	−0⅛	−0½	12.74
Deutsche Bank 9⅞ 97 £	75	95½	96	0	+0¼	10.58
Deutsche Bank 14¼ 92 A$	100	105	105¾	−0⅛	−0¼	12.55
Dresdner Fin. 13⅞ 91 A$	100	101⅞	102⅜	−0⅛	−0⅛	13.10
EIB 7⅞ 91 Ecu	100	†98½	99	−0⅞	−0⅞	7.71
EIB 8⅝ 93 LFr	1000	†103½	104½	0	0	7.57
Euratom 7⅞ 97 Ecu	145	†91¾	92¼	−0¼	−2	8.62
Finland 6 91 Fl	100	99¼	99¾	−0⅜	−0½	6.13
GMAC 9 92 £	50	94½	95	0	+0¼	10.43
GMAC 9⅛ 92 C$	75	97⅞	98⅛	−0¼	−1	9.81
GMAC Aus. Fin. 14 90 A$	50	100⅜	100⅞	−0⅛	−0¼	13.67
Halifax BS 10⅜ 97 £	100	95½	96	0	+0⅜	11.10
Helaba Fin. 13⅜ 96 A$	75	100⅜	100⅞	−0¼	+0¼	13.23
Imp. Chem. Inds. 10 05 £	100	93⅛	93½	+0⅛	+0⅜	10.90
Imp. Chem. Inds. 10¾ 92 £	75	101⅛	101⅝	0	+0⅜	10.38
Int. in Ind. Intl. 10 93 £	60	96⅛	96⅞	0	+0⅛	10.80
Land Securities 9½ 07 £	200	†83⅜	83¾	0	+0⅜	11.73
Leeds BS 10½ 91 £	50	98⅛	98⅝	0	0	10.98
Mort. Bk. Denmark 6 91 Fl	150	98⅞	99⅛	0	+0⅛	6.30
Natl. Australia 14 92 A$	50	99⅞	100⅜	−0⅛	−0⅛	10.90
Nationwide BS 10⅛ 93 £	75	96½	97⅛	0	+0⅛	10.90
NSW Treasury 10⅝ 92 £	50	99⅝	100	−0¼	+0⅜	10.69
New Zealand 7¾ 93 Ecu	200	95⅜	96⅛	−0⅛	−0⅞	8.71
Oesters. Ktbk. 13⅝ 94 A$	75	99½	100¼	−0⅞	−0⅛	13.64
Prudential Fin. 9⅞ 07 £	150	86⅛	86⅝	+0½	+0⅜	11.09
Royal Insce. 10¾ 92 £	60	101⅛	101⅝	0	+0⅜	10.37
Royal Trustco 10⅜ 90 C$	75	98¾	99¼	+0⅛	−0⅞	10.72
Sainsbury, J. 10⅞ 93 £	60	99⅜	99⅞	0	+0¼	10.94
SDR 7¾ 95 Ecu	90	94⅞	95⅛	−0⅜	−0⅜	8.69
Trusthouse Forte 11¼ 90 £	50	100⅞	101¼	+0⅜	+0¼	10.71
Thyssen 7⅛ 90 Fl	50	102	102½	−0⅛	−0⅛	6.40
Wessanen 6¾ 90 Fl	50	101¼	101¾	0	−0⅛	6.19
World Bank 11¼ 95 £	100	103¼	103¾	−0⅛	+0⅜	10.54
World Bank 13⅞ 92 A$	100	100⅛	100½	−0⅛	−0¼	13.27

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	0.0512	100.07	100.17	17/06	6.14
Alliance & Leic. Bldg. 94 £	0.08	99.10	99.15	20/04	9.89
Belgium 91	0	99.97	100.07	19/02	6.69
Britannia 5 93 £	0⅛	99.59	99.64	8/04	10.06
Chase Manhattan Corpn. 91	0¼	†99.10	99.35	29/08	6.56
Citicorp 98	0¼	†97.05	97.30	27/02	6.63
Credit Lyonnais 5 00	0⅛	98.32	98.42	13/07	6.19
EEC 3 92 DM	0	100.00	100.08	20/02	4.19
Halifax Bldg. Soc. £ 94	0.1	99.26	99.31	6/05	8.97
Midland Bank 01 £	0.1	96.36	96.46	9/05	8.91
Milk Mrktg. Board 5 93 £	0⅛	99.59	99.54	30/30	10
New Zealand 5 97 £	0.07	99.44	99.54	16/05	11
New Zealand 5 01	0	99.27	99.37	4/08	6.31
Shearson Lehman Hldgs. 91	0⅛	†99.30	99.55	6/05	7¼
United Kingdom 5 92	0	99.95	100.02	7/04	6.31
Woodside Fin. 5¼ 97	0	99.34	99.44	28/04	7.06
Woolwich 5 95	0⅛	99.43	99.48	19/05	10.62

Average price change on day +0.01 on week −0.05

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	8/87	62	110⅞	111⅜	+0⅜	23.03
Alco Health 6⅛ 01	7/86	26.25	87⅞	88⅞	+0⅜	30.78
American Brands 7⅞ 02	9/87	56.7	†110	111	+0¾	17.92
American Can Co. 5½ 02	4/87	66.75	†92	93	0	49.33
Ashikaga Bank 2⅛ 02	4/87	996	111⅞	112⅞	+0¼	−3.84
Asics 5 92 DM	12/83	472	158⅞	160⅛	−0½	5.02
CBS Inc. 5 02	4/87	208	106½	107½	0	12.04
Chiba Bank 2⅞ 02	1/87	830	187	189	+0½	2.08
Fuji Hvy. Inds. 3 00	8/85	676	157¼	158½	+3¾	1.50
Fujitsu 3 99	5/84	1109	188½	189⅞	+21	5.46
Gunma Bank 2⅛ 02	4/87	898	134	135	+2½	−1.06
Minolta Camera 2¼ 94 DM	2/86	1105	98¼	99⅛	+0¼	98.36
Mitsui Trust 2⅞ 01	10/86	1990	144	146	−0⅝	−2.44
Murata 3½ 00	7/84	1998	265¾	267¼	+15¼	6.04
Nippon Elec. 2⅞ 00	3/85	1295	273	274	+23	155.11
OKI Elec Ind. 3½ 99	10/84	805	185	186½	+17½	9.62
Omron Tateisi 2⅝ 02	4/87	1360	128	129	+1¼	5.33
Redland 7¼ 02 £	1/87	5.5	†109	110	+0¾	18.09
Yokohama Bank of 2⅞ 03	10/86	1045	169⅞	171⅛	+1	−3.12

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price, the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Philips SA to launch BFr 5bn capital issue

By Quentin Peel in Brussels

PHILIPS SA, the Belgium arm of the Dutch multinational electronics group, will introduce this week a new instrument to the Belgian financial markets — BFr 5bn ($134m) of conversion certificates — in a bid to tap indigenous sources for its substantial investment programme.

The plan is to issue certificates ultimately convertible not into Philips SA shares—which are not quoted on the Brussels Stock Exchange — those of the parent group.

Mr J. J. van Weezendonk, the finance director, said yesterday that the thinking behind the capital issue was to reconcile the subsidiary status of the Belgian Philips within the multinational group, with the requirement for each subsidiary to be self-financing.

Philips SA has undertaken a major investment programme in its Belgian plants to expand production for a world market, particularly in compact disc players and opto-electronics manufactured in Hasselt, electric lighting at Turnhout, and video display technology — including high definition television sets — in Bruges.

The proceeds of the current exercise are intended to repay the short-term debt accumulated as a result of investments to date, provide extra working capital and allow for further investments.

It is the first time the Belgian subsidiary has sought to raise capital directly on the local market, and it has applied to have the conversion certificates listed on the Brussels Stock Exchange.

The certificates will be issued at 100.5 per cent of their nominal value.

Because Philips SA has the status of a financial holding company in Belgium, institutional investors will be able to avoid witholding tax. Individual shareholders may be more cautious about the innovation, which offers a net return of slightly less than 4 per cent after witholding tax.

Mr van Weezendonk said the issue allowed Belgian shareholders to invest directly in the local operation — which employs about 17,000 people at 14 different plants — while enabling the company to obtain long-term funds at an attractive price.

Japanese to buy $250m Bank of America notes

By Yoko Shibata in Tokyo

JAPANESE BANKS will sign an agreement, probably in October, to buy $250m in subordinated capital notes to be issued by BankAmerica as part of its $350m capital infusion package, Mr Kenichi Kamiya, chairman of the Federation of Bankers' Associations, said in Tokyo yesterday.

The banks will complete co-ordination to participate in the US bank's capital infusion plan by mid-September.

BankAmerica, which has been suffering continuing losses since mid-1986, is offering $250m in subordinated capital notes to 23 Japanese banks — 13 city banks, three long-term credit banks and seven trust banks. By the end of August, nine Japanese banks had agreed to buy three-fifths of the total of $250m notes.

Mr Kamiya said he was expecting the Norinchukin Bank and the Bank of Yokohama to accept his request to participate in the proposed purchase of the notes.

The notes, with warrants attached, will mature in 12 years and pay an interest rate 1.25 percentage points above London Interbank offered rate (Libor), Mr Kamiya said.

However, the issue price had yet to be fixed, he added. BankAmerica has also asked 40 Japanese life and non-life insurance companies to purchase $100m of preferred stocks. Last weekend, ten Japanese non-life insurance companies expressed their readiness to purchase $20m in BankAmerica convertible shares.

The stock will be purchased by about 10 non-life insurance companies, including Yasuda Fire and Marine Insurance, Taisho Marine and Fire Insurance and Sumitomo Marine and Fire Insurance.

Austrian bank plans rights

By Our Financial Staff

OESTERREICHISCHE Laenderbank, the Austrian bank, plans a rights issue under which the state's shareholding will drop to 58.4 per cent from 60 per cent. Subscription for the issue, a one-for-33 at Sch200 a share, opens next Monday.

The issue will raise Laenderbank's shareholders' capital to a nominal Sch1.7bn ($134m). The bank said the Government was likely to sell some of its shares outright later this year as part of plans to reduce its shareholding to 51 per cent.

Belgian Generale breathes again

BY WILLIAM DAWKINS IN BRUSSELS

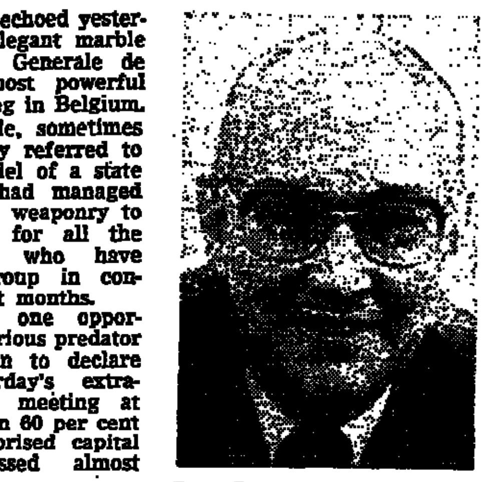
SIGHS OF relief echoed yesterday across the elegant marble halls of Societe Generale de Belgique, the most powerful industrial grouping in Belgium.

Societe Generale, sometimes only half jokingly referred to as Belgium's model of a state within a state, had managed to give itself the weaponry to repel once and for all the mystery buyers who have shrouded the group in controversy in recent months.

Moreover, the one opportunity that any serious predator would have taken to declare his hand—yesterday's extraordinary general meeting at which a more than 60 per cent increase in authorised capital was agreed—passed almost without incident.

Certainly, shareholders were expecting a drama, even if the group's directors have maintained a dignified cool over speculation surrounding the group.

About 429 shareholders, representing 23.7 per cent of the equity, crowded into Societie Generale's largest meeting room, a record turnout for what are usually rather decorous occasions.



Rene Lamy . . . no easy time

While Mr Rene Lamy, Societe Generale's governor, did not get an entirely easy time, investors representing a mere 0.5 per cent voted against his proposal to increase the group's authorised capital by BFr 20bn.

He also won the important option to deprive — if necessary — existing shareholders of their rights to subscribe for Societe Generale issues for the next five years. This, as Mr Lamy reminded the meeting, means the group can dilute unfriendly buyers by issuing new shares to supporters of the present management.

He warned: "If the need arises, we shall not hesitate to requisition the authorised capital to place shares in well-disposed hands."

However, one shareholder questioned the justice of too many capital increases, highlighting the meeting's confirmation of a rights issue to raise about BFr8bn next month, the fifth in four years.

This amounted to a sanction against loyal shareholders who would now have to share their profits with new shareholders. If Societe Generale needed cash, why not sell some assets, he suggested.

Mr Lamy nodded politely and said he would bear the question in mind. Then again, he needed to be polite to win support for such a major new weapon in Societe Generale's defences.

For the feeling among Brussels stockbrokers yesterday was that the group is now invulnerable to anything but a full takeover bid.

Even with the shares down BFr100 to BFr3,700 yesterday afternoon—well below their speculative peak—the group is valued at BFr94.35bn ($2.52bn).

However, Mr Mark de Brouwer, chief analyst for the Brussels stockbroker Petercam, pointed out that Societe Generale could not relax entirely. The group has been busy attracting friendly stakes recently, which it argues are all part of its international ambitions.

These include names such as Olivetti's Carlo de Benedetti and Compagnie Generale d'Electricite of France among others, between them accounting for more than 20 per cent of the shares.

"They may be friendly," said Mr de Brouwer, "but it doesn't mean that they will accept anything from the management."

Indosuez to float funds offshoot

BY GEORGE GRAHAM IN PARIS

BANQUE INDOSUEZ, the banking arm of the Suez group which is to be privatised next month, is floating its retail investment management subsidiary on the Paris second market.

Union Financiere de France (UFF), which manages FFr 12bn of funds on behalf of more than 70,000 clients, will have 10 per cent of its capital offered for sale at FFr 325 a share, valuing the whole company at FFr 1.2bn ($200m).

The company only came under Indosuez's control in April, when the bank bought most of the holding of Mr Guy Charloux, UFF's founder and chairman. Indosuez will retain a 56 per cent stake after the flotation on September 18.

UFF represents a retail outlet for Indosuez's investment management division, which already runs some of UFF's funds. The bank's limited branch network has left it with only a small number of private clients.

Most of UFF's activity is in management of tradeable securities investments, mainly through mutual funds. The company also handles property investments and insurance products, and is now seeking bank status which would allow it to offer a greater range of financial investments.

The company has rapidly expanded its intake of new funds in the past few years, with lump sum investments doubling last year to FFr 3.01bn, from FFr 1.48bn in 1985.

In addition, clients subscribed to savings contracts totalling FFr 1.6bn over their lifetimes, up 8 per cent from 1985.

Total funds under management grew from FFr 7.37bn at the end of 1985 to FFr 11.13bn at the end of 1986, climbing to FFr 12bn by mid-1987.

Nobel raises optics group stake to 74%

By Kevin Done, Nordic Correspondent in Stockholm

NOBEL INDUSTRIES, the Swedish chemicals and armaments group, has acquired a further 24.6 per cent holding in Pharos, the Swedish optics and electronics company, boosting its stake from 49.9 per cent to 74.5 per cent.

The stake was bought from D. Carnegie and Co, the Swedish retail, trading and finance conglomerate in a deal worth SKr 139.3m ($22m), or SKr 330 per share.

Pharos manufactures electro-optical instruments, infra-red systems, electronic security systems, respiration and diving apparatus, lighthouses and other navigational aids, and electronic weighing systems.

The company, which had sales last year of SKr 924m, fell sharply into a loss of SKr 41m in 1986, compared with a profit of SKr 35m in the previous year. This forced a reorganisation and the appointment of a new group management.

NBA chief quits for Banca Lavoro

BY ALAN FRIEDMAN IN MILAN

The director general of Nuovo Banco Ambrosiano, Mr Pier Domenico Gallo, is to take up a new appointment as deputy director-general of the Rome-based Banca Nazionale del Lavoro (BNL) Italy's biggest state-owned bank.

Mr Gallo joined NBA when it was formed in August 1982 as the successor to the late Mr Roberto Calvi's failed Banco Ambrosiano group. He is credited with having engineered the rescue and turnround that has seen NBA become a profitable medium-sized bank which is now quoted on the Milan stock market.

NBA announced last night the appointment of 64-year-old Mr Gino Trombi, at present managing director of its Banca Cattolica subsidiary, as Mr Gallo's replacement.

UK COMPANY NEWS

RIGHTS ISSUE TO FUND ACQUISITION AS INTERIM PROFITS FALL

Bowater makes £89m cash call

BY PHILIP COGGAN

Bowater Industries, the diversified UK group, is raising £89m via a rights issue to enable it to buy a new division, with an acquisition in the US a strong possibility.

Four years ago the company was one of the giants of the world paper industry but in early 1984 it demerged its North American pulp and paper operation and last year it disposed of its UK paper division via a management buyout.

What was left after the disposals were four disparate businesses in packaging, builders merchants, freight forwarding and Australian timber and tissues. To take control of the diverse group Mr Norman Ireland, formerly of industrial conglomerate BTR, was brought in as non-executive chairman in March and Mr David Lyon, Redland's managing director, was made chief executive in June.

The rights issue represents the new team's first major move and was announced on the same day as the group's interim results for the six months to June 30, which showed a 32 per cent increase in earnings per share. Pre-tax profits, however, were 8.5 per cent lower at £17.3m because of the non-inclusion of the UK paper and tissue businesses sold last year.

Packaging and associated products increased trading profits by 20.5 per cent from £8.8m to £10.6m. Merchanting and services profits were also higher, rising 40 per cent to £6.6m (£4.7m), despite the adverse effect of the weak US dollar on the European freight companies. But timber and tissues' profits were static at £3.7m, thanks to falling timber prices in Australia.

Trading profits on continuing businesses were 22.5 per cent higher at £20.9m (£17.2m) on sales of £550m (£449m). In last year's first half, discontinued businesses contributed £10.8m on sales of £222m. The disposals helped reduce the interest charge to £3.6m (£9.1m) and after tax of £5.4m (£6.2m) and a reduced minority charge of £200,000 (£4.2m), earnings per share were 11.8p (8.9p).

The interim dividend is being increased 31 per cent to 5.25p (4p) but the size of the increase is partly to reduce the disparity on the final dividend.

Bowater's future capital expenditure programme will mainly focus on packaging and on the Australian tissue paper operations and capital plans worth £69m between 1987 and 1990 have already been approved.

Although the group is considering several potential acquisitions in the US, it is making one purchase straight away. Bowater is paying $26m for a 49 per cent stake in Mitek, a Missouri-based company, which will then acquire Gang Nail Systems from Redland, the UK building materials group, for $86m.

Both groups manufacture builders' hardware and their combined profits in 1986 were $5.5m on sales of $120m, with $9.3m on sales of $135m expected this year.

Bowater's rights issue is the latest in a long series of cash calls on the London market by companies seeking acquisitions in the US. After the poor response to some of the earlier offers.Kleinwort Benson. Bowater's merchant bank, has priced the one-for-five issue at 470p, a substantial discount to Monday's closing price of 551p.

"We obviously took into account the volatility of the market, the demands on investors and the fact that new management has just been installed" said Mr Simon Robertson, a director of Kleinwort Benson.

Last night, Bowater's shares closed 23p down at 528p.

See Lex

GrandMet sells US subsidiary for £71m

By Mike Smith

GRAND METROPOLITAN, the food, drinks and hotels group, yesterday completed a series of large US disposals by selling Children's World, its kindergarten chain subsidiary, for $117m (£71m) in cash.

Children's World, which is being bought by management services company ARA, was acquired by GrandMet in 1983 as part of a much-heralded expansion into US branded consumer services.

Since then, however, GrandMet has decided to concentrate on core actvities. In July is sold Quality Care, a home nursing services company which was the second of the three groups bought as part of the branded services diversification.

GrandMet sold Quality Care for $13m less than it paid for it but with Children's World is has fared better. The kindergarten group cost $35m four years ago and an extraordinary profit of $66m will be realised on completion of its sale, which is expetced to be in October.

GrandMet's gearing will be reduced by about 5 percentage points to under 80 per cent as a result of the transaction.

Children's World recorded sales of $63m inthe year to September 30 1986, and pretax profits are thought to have been between $2m and $3m. Mr Ian Martin, chief executive of GrandMet USA, said yesterday that the subsidiary had progressed well under GrandMet's management but "it is not of sufficient size to merit retention."

During the past year GrandMet has sold its US tobacco and dairy businesses and has reached agreement to sell its home healthcare and fitnes products interests. It said yesterday it planned to retain Pearle Health Services, the eyecare group which was its third acquisition aimed at expanding into branded consumer services.

British Aerospace profit slips to £71m at halfway

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

PRE-TAX profits for British Aerospace, the aircraft, missile and space conglomerate, fell by £9m to £71m in the first six months of this year, due to the continuing weakness of the dollar, losses on civil aircraft production and higher research and development spending.

Professor Roland Smith, who took over as chairman from Sir Austin Pearce on September 1, said yesterday that the profit was earned on sales of close to £1.9bn, which were 31 per cent higher than in the comparable period of last year (although the 1987 figure includes £126m for Royal Ordnance sales).

The group's order book amounted to about £10bn—about 25 per cent higher than at the end of 1986—of which about 70 per cent was for export.

Professor Smith said that while the military aircraft and weapons businesses achieved higher profits than in the first half of 1986 (£80m against £71m for military and £89m against £56m for weapons), and the space business continued in profit against strong competition, the losses on civil aircraft amounted to £49m against a loss of £5m in the first half of 1986.

About half of those losses were due to the weaker dollar, and included provision for possible future losses depending on how exchange rates moved. The exchange rate in the first half had moved from $1.48 to $1.61 at end-June.

"Such changes affect our civil aircraft business quite dramatically," Professor Smith said, "not only in respect of current year's sales revenues, but also in relation to the level of prices of deliveries in future years, even though our currency-hedging policies have mitigated the more extreme effects of exchange movements."

But about half of the civil aircraft losses were due to losses on the BAe involvement in Airbus Industrie, the European airliner manufacturing group, for whose A-300, A-310 and A-320 airliners BAe builds wings.

This was the first time such losses had occurred, for hitherto BAe had broken even on its Airbus wing contracts.

As a result, a major programme of cost reduction was now under way. Professor Smith said that reducing costs remained a major challenge, to enable the BAe group to remain competitive internationally.

He said that "a number of further management and organisation changes have been made, or are in progress, with the intention of improving operating efficiency."

Professor Smith pointed out that despite the lower pre-tax profit, the cash flow from the overall business of the group had been positive, and net liquid assets were £652m at June 30. "Consequently, the company's balance sheet remains exceedingly strong."

The board has declared an interim dividend of 6.9p (6.4p) per ordinary share, an increase of 7½ per cent, amounting to £17m to be paid on November 2.

See Lex

Laporte in £20m US purchase

By David Waller

Laporte Industries, the chemicals group, is to expand in the US with the $33m (£19.87m) acquisition of Vinings Industries, an Atlanta-based supplier of formulated process chemicals to the paper industry.

Vinings, a private company which made $3m pre-tax profits last year on $15-$16m turnover, supplies speciality inorganic chemicals to the US paper processing and water processing industries, particularly in the South-East.

Mr Ken Minton, Laporte's chief executive, predicted considerable synergy between Vinings and the group's existing activities.

As a leading supplier of peroxide to the world paper industry, Laporte intends to expand Vining's business across North America and elsewhere in the world, where its specialist technology will be grafted onto other Laporte companies.

The purchase is to be financed out of Laporte's existing cash resources and will leave the group cash-neutral. Shares in

Buoyant start to year by Savoy

WITH BUSINESS in the six months to the end of June 1987 described as extremely buoyant The Savoy Hotel saw pre-tax profits for the period rise by 28 per cent.

On turnover up by 21 per cent to £35.77m against £29.49m last time the pre-tax figure increased from £5.03m to £6.43m. Earnings per 10p A share came out at 14.74p (12.07p) and per 5p B share at 7.37p (6.03p).

Mr Giles Shepard, managing director, said that in spite of early concern about Bing Bang the City had reinforced its position as one of the leading financial centres of the world. This coupled with an increasing flow of overseas visitors and the continuing popularity among UK residents of the group's hotels and restaurants ensured that business during the period has been extremely buoyant.

He added that the trend had continued during July. August, as usual, was quieter giving an opportunity to complete further major capital works. "Barring any increase of tension in the Middle East, the profit for the full year will show a satisfactory increase over 1986." Pre-tax profits for that year were £12.09m on turnover of £64.79m.

Trading profit of £6.41m (£4.74m) for the period under review was struck after an increased depreciation charge of £1.4m (£1.04m) reflecting, the directors said, an active programme of capital improvements.

Investment income less interest payable came to £16,000, down from £298,000 last time. Tax took £2.25m (£1.6m) and there were no minority charges this time against £14,000.

Attributable profit came out at £4.18m against £3.42m.

Trusthouse Forte has been attempting to gain control of the group since 1981 and at the moment holds 42.3 per cent cent of the voting shares.

● **comment**

In June, 420,000 US tourists visited the UK, 60 per cent more than in the same month last year. It is a fair bet that a large proportion of the more prosperous of these stayed at either Claridges or the Savoy, and thus contributed to the group's 21 per cent increase in receipts and 35 per cent rise in trading profits. Such statistics are respectable only if considered in isolation from the rest of the hotel industry, where structural upheaval has helped companies such as Norfolk Capital and Friendly Hotels deliver doubled interim profits in recent weeks—albeit against a first half last year afflicted by Chernobyl/Libya. At 635p, up 5p yesterday, Savoy's A shares are on a prospective p/e of 18 if the group makes £14.2m in the full year. Await events in the courtroom, where THF is trying to disenfranchise a block of B shareholders.

Booker boosts profits 21%

Booker, the agribusiness, health products and food distribution group, increased pre-tax profits by 21 per cent to £25.82m in the half-year to June 30 compared with £21.38m for the same period last year.

Earnings per share rose by 22 per cent from 10.23p to 12.43p and the interim dividend is lifted from 4.75p to 5.4p.

Group turnover, however, showed a slight decline from £563.79m to £553.32m but this result took in the disposal of retail food distribution activity which contributed £99.5m to turnover in the first half of 1986.

Mr Jonathan Taylor, chief executive, said yesterday that the results confirmed the continuing progress in the three core sectors.

In US agribusiness, Nicholas Turkey had a very good result and Arbor Acres again increased sales and profit. Results in the UK agribusinesses were boosted by the contribution of Middlesbrook Mushrooms but also reflected growth in McConnell Salmon—which benefited from disease at Norwegian salmon farms—and Tilhill Forestry.

The increase of 12 per cent in profit from health products was mainly due to the contribution from La Vie Claire (38 per cent owned) but Booker Health Foodss uffered a disappointing first half although Kingswood Chemists had performed well. Holland & Barrett had withdrawn from franchising to concentrate its resources on expansion of company-owned outlets.

Mr Taylor said that wholesale food distribution had experienced a good first half. In particular, Booker Food Services recorded a 28 per cent increase in sales.

Referring to the acquisition, announced on Monday, of Loseley, specailising in high-quality dairy products, Mr Taylor said that "a number of smaller acquisitions directly related to our core business are also close to completion."

Because seasonal factors related to certain businesses within the group, the rate of profit growth in the rest of the year would not be as high as the first six months, Mr Taylor wanred.

After tax of £8.7m (£7.37m), minority interests of £954,000 (£946,000), extraordinary loss of £256,000 (£85.000) and parent company dividends of £7.43m (£6.09m) and retained profit to £8.87m (£6.89m).

See Lex

Britannia Security buys 14.9% stake

By Nikki Tait

Britannia Security Group, the acquisitive security and business services company, announced yesterday that it has bought a 14.9 per cent stake in Richardsons, Westgarth, taking its total holding to 2.51m shares or 19.8 per cent.

Britannia says the stake—held by Baremo Holdings Inc—was on the market, and that it knows the company, seeing it "as a good investment." There is, adds Britannia, no intention to raise its holding. The total cost of the 14.9 per cent interest was £1.58m.

Shares in Richardsons, a steel stockholder to heating distributor, jumped 7p to 91p.

Overseas holdings in Rolls-Royce rise

The tally of registered overseas shareholdings in Rolls-Royce, the recently privatised aero-engine maker, has risen another point to 12 per cent of the total shares issued, the company said yesterday.

This takes the number uncomfortably close to the maximum level of 15 per cent, beyond which overseas holdings of shares in the company will not be permitted.

The actual level of foreign shareholdings will not be known until the share register has been completed following payment of the second instalment on the share price later this month.

However, many overseas shareholders are securing a place on the register by sending in their second instalments in advance. The tally of foreign-held shares reached 11 per cent last Friday.

ATLANTIC RESOURCES (oil and gas exploration) is applying to have its shares dealt on the Unlisted Securities Market.

LMS recovers most of its £4m first half shortfall

London Merchant Securities, the property and energy group chaired by Lord Rayne, recovered most of the £4.2m first half shortfall through the second six months and for 1986-1987 as a whole returned profits of £16.84m pre-tax, a downturn of £0.37m on the figures of the previous year.

The figures were adversely affected by a £4.63m lower contribution from the Century Power and Light associate. In all, the share of profits of the related companies for the year to March fell from £9.53m to £5.57m.

Total income declined from £20.21m to £18.61m and was made up of rental income from investment properties £17.95m (£16.21m) and turnover of trading activities £659,000 (£4m).

Cost of sales of trading activities was reduced to £361,000 (£3.61m) while administration expenses were cut by £1.1m to £2m. Operating profits emerged £2.93m ahead at £13.73m.

Pre-tax profits were struck after deducting net interest payable amounting to £3.3m (£4.29m) and adding in other income of £845,000 (£1.17m) and the associates' share.

After tax of £5.83m (£7.61m) basic earnings per share amounted to 5.55p (4.83p). A final dividend of 2p raises the total from 2.55p to 2.8p net.

A valuation of the LMS investment properties on an open market value threw up a surplus of £17.4m. At year-end shareholders' funds showed an increase of £16m at £183m.

The group's holding in First Leisure Corporation has been increased to 29.9 per cent. The directors said this company had maintained its impressive record of organic growth, with a continued improvement in profit and increases in dividend distribution.

● **comment**

Thanks to its stakes in Carless Capel and First Leisure, LMS is rather an odd one out in the property sector—the investor has ot take a punt on the prospects for Blackpool Tower and oil as well as for rents in the West End. Partly for that reason, and partly because of some unfortunate investments in the past, LMS is not perceived as one of the sector's hottest stocks. But this year, the prospects for leisure and West End property look good and pre-tax profits could head for £24m; and adding in the £75m by which the share stakes exceed their book value, the prospective net asset value per share could be heading for 135-140p. That means that the shares, at 117p, are one of the few in the sector to be trading at a discount to the prospective asset value. Worth a look for investors who are bullish on the oil price.

GRA suspends shares as talks continue

By Nikki Tait

GRA Group, the greyhound racing track operator, yesterday suspended its shares at 150p, while it continued to negotiate a reverse takeover with the owners of Wembley Stadium.

Talks between the two companies have been underway since July, and yesterday GRA said that negotiations have still not reached a point where they are acceptable to both parties.

However, its advisers—stockbrokers Astaire & Co—added that they believe the gulf is not wide and only fine-tuning is necessary. Astaire says GRA still hopes to make an announcement this month.

The deal currently appears to envisage the greyhound racing side being retained, GRA's chairman, Mr Isadore Kerman, taking a non-executive role and the shares of the merged group being relisted.

The share suspension, however, is thought to have been encouraged by the Stock Exchange. GRA has already come close to a deal with Priest Marians, the property company, earlier this year — but the offer was abandoned after Haringey Borough Council appealed against planning permission on the redevelopment of Haringay Stadium.

Hambro Countrywide rises to £10.7m

BY STEVEN BUTLER

Hambro Countrywide yesterday announced a strong improvement in interim results while giving the details of its deal with Guardian Royal Exchange, through which a life assurance company will be set up to market products through Countrywide's chain of estate agents.

A 66 per cent increase in turnover to £41.8m underpinned an increase in pre-tax profits from £6.2m to £10.7m, with 1986 figures calculated on a pro-forma basis due to changes in the accounting period, and assuming Bairstow Eves and Mann & Company were fully merged. Earnings per share rose 60 per cent to 3.18p.

Hambro Countrywide forecast full year 1987 pre-tax profits of £25m, up from £16.3m in 1986. An interim dividend of 0.85p was declared. Comparison with a previous period is not meaningful.

Mr Christopher Sporborg, chairman, said the improved results reflected the increase of Countrywide's offices from 331 to 457, brisk housing sales, and an increase in the ratio of mortgages provided to houses sold which is now 35 per cent compared to 20 per cent a year ago.

Sales of 31,148 homes were completed during the period, up from 23,400 last year, and worth over £1.69bn.

The company's in-house financial services arm completed £363m worth of mortgages, up from £200m, for 11,162 purchases (6,563).

Countrywide said that the level of instructions and enquiries in residential housing remained high despite the round of interest rate increases and that this augured well for the coming year.

Bramall's record profit

Pre-tax profits of C. D. Bramall, motor dealer, increased from £2.06m to a record £3.63m in the half year to June 30 following an advance from £62.06m to £84.4m in turnover.

Mr Douglas Bramall, chairman, said that the increase had come from all companies within the group. Dealerships, contract hire and leasing companies had all performed very well and the contribution from Gelco, the recently acquired contract hire, leasing and fleet management company reflected only seven weeks trading since completion of its purchase.

Mr Bramall said 1987 was proving to be extremely good for vehicle sales and the prediction of a record year for vehicles sold in the UK looks likely to be proved correct. August, which is the best selling month, would establish a new record for the company. Together with a full six months contribution from Gelco, he was confident that Bramall would have a very successful year.

Two further possible acquisitions were under review but the company had no firm position to announce.

Tax amounted to £1.09m (£634,000), leaving attributable profits of £2.54m (£1.43m); there were no extraordinary items this time (£33,000 net charges) leaving earnings per share of 21.2p (12.6p). The interim dividend is increased 25 per cent to 1.65p per share.

The figures in yesterday's report were incorrect owing to an agency error.

Moorgate Group

Billings of the Moorgate Group surged from £10.4m to £18.8m in the first half of 1987, turnover improved by 74 per cent to £8.7m and at the pre-tax level profits accelerated from a restated £324,000 to £551,000.

Earnings increased by 2.27p to 5.47p after tax of £202,500 (£121,500).

UK COMPANY NEWS

Neilson Leisure abandons flotation

By David Waller

Neilson Leisure, the tour operator which in July launched an offer for subscription to join the Third Market, has at the last minute abandoned its flotation plans and sent back the money received from would-be investors.

Instead, Neilson has been bought by Granada, the TV and leisure company which moved into the holiday business in April with the £50m acquisition of WSL. The purchase price has not been disclosed—but Granada said yesterday that they paid less than the £5.6m market capitalisation Neilson would have had if the flotation had gone ahead.

"During the course of the offer it became increasingly obvious that we would not achieve the level of profits forecast in our offer document," explained Mr Warren Sandral, Neilson's chairman and managing director last night.

Neilson published its prospectus in mid-July and forecast that it would make pre-tax profits of £350,000 in the year to the end of next month. It sought to raise £1.8m by offering to the public 1.85m shares which would have qualified for tax relief under the Business Expansion Scheme.

Guidehouse, the stockbrokers sponsoring the issue, said that the issue was "very well," if not quite fully subscribed when the offer closed a fortnight ago. It has sent a cheque to several hundred subscribers to the issue, covering both the amount subscribed and interest.

Neilson — which operates summer and winter coach holidays—has a chequered profits record. Its best year was in 1983, when it made taxable profits of £785,000. In the following year, it made losses of £1.13m, to be followed by a profit of £461,000 and a loss of £199,000 last year.

Hawley accelerates past £30m

BY CLAY HARRIS

Hawley Group, the international services company, yesterday reported doubled pre-tax profits of $51m (£30.7m) for the first six months of 1987 and won its shareholders' approval for the $715m (£430m) takeover of ADT, the leading US supplier and operator of alarm systems.

The pre-tax advance from $25.2m was achieved on turnover 54 per cent ahead at $431.3m. Earnings per share, undiluted by outstanding convertible preference shares, rose by 20 per cent to 7.9 cents (6.6 cents).

Hawley's already low tax charge fell again to just below 15 per cent. The Bermuda-domiciled group has reported in US dollars since last year.

Its plan to issue $400m of convertible preference shares without offering pre-emptive rights to eixsting shareholders was opposed on behalf of only 2 per cent of shares at the special general meeting yesterday in Bermuda. No-one spoke against the issue, according to Mr Michael Ashcroft, chairman and president.

The major difference in the group's composition between the first half this year and the same period of 1986 was the addition of Pritchard Services, the cleaning and maintenance company, for which Hawley paid £150m. British Car Auction, bought in a deal worth £182m, was in the accounts for the final two months.

The proportion of sales in North America rose to 64 per cent (53 per cent) in the half. ADT will raise the total to three-quarters. The UK share fell to 21 per cent (38 per cent) and that of the rest of the world — mostly Australasia — rose to 15 per cent (9 per cent).

In each of its three geographical markets, Hawley has achieved or is close to leadership in three out of four of its core businesses: cleaning, security, hospital services and auctions.

As an interim dividend, Hawley will followin its conventional practice of a scrop issue, in this case one-for-60 (one-for-80 last year). With Hawleys shares 5p lower at 158p, the scrip dividend would bew orth about 4.37 cents against the 4.2 cents (2.1 cents) cash alternative. The scrip is payable on September 16(the cash on January 29.

● comment

Now that the pre-emption rights storm has passed without sloshing out of its teacup, perhaps Hawley and its British shareholders can sit back and calcmly realise that they need not stay at daggers drawn. As an archetypal stock for the Thatcher (and Reagan and Hawke) years, Hawley provides possibly the best vehicle to reap the financial benefits of the international trend toward privatised services depending on part-time employment and the demand for security products fed by anxiety about crime. Three months of ADT should lift pre-tax profits to $155m for the full year. With a tax charge unlikely to exceed 10 per cent (ah, balmy Bermuda) the prospective p/e of 12, fully diluting for all that convertible pref, does not look expensive. With additional listings helping to fuel demand, it is too soon to worry about services when the world market, metaphorically, enters a post-Thatcher era.

Oldham's property valuation

BY WILLIAM COCHRANE

THE INDEPENDENT valuation of Oldham Estate, the property vehicle of the legendary Mr Harry Hyams, leaves Oldham's investment properties at a staggering 25 per cent discount to their balance sheet figure as at September 30, 1986.

Chartered surveyors Debenham Tewson & Chinnocks were called in to perform the valuation last May by MEPC, bidders for Oldham, and the Co-operative Insurance Society (CIS) which sold MEPC all but a tiny fraction of its current 68.9 per cent holding in Oldham last February.

DT & C's valuation, also to end-September last, puts the worth of the Oldham properties at £435.84m compared with the £581m calculated by Oldham's own valuers, Bernard Thorpe & Partners. The £581m figure itself was down by £32m from the £613m calculated for September 30, 1985, that decline reflecting a reduction in the value of leasehold properties.

The new valuation means that MEPC's bid, which could have been increased by reference to a valuation-related formula, stays where it was at 43 new MEPC shares and £63.07 of cash, with loan note and loan stock alternatives, for every 200 Oldham shares.

The offer now values each Oldham share at 150p compared with a net asset value, as defined under MEPC's offer, of 117p. However, said MEPC managing director Mr Christopher Benson last night, the effect on MEPC would be to dilute its net asset value only marginally, from 440p to about 435p a share.

Furthermore, he said, the discounts which applied to large Central London office blocks, and major investment property portfolios last autumn have since disappeared. Mr Benson added that he fully expects Mr Hyams, by far the major minority holder with about 30 per cent of Oldham, to take this point and call for an updated valuation of the company in the near future.

Lyon & Lyon rises 39%

Lyon & Lyon, West Yorkshire-based Ford main dealer, vehicle repairer and shipbuilder, lifted pre-tax profits by 39 per cent in the first half of 1987.

On turnover of £8.09m (£7.72m) the pre-tax result was £291,327 (£209,861). The anticipated return to profitability came earlier than expected, directors said, due mainly to an excellent performance by Lyon Leasing Vehicle Contract Hire.

The interim dividend is maintained at 1.5p. Earnings per share improved to 5.86p (3.94p) after tax of £99,000 (£79,000).

An extraordinary £81,000 debit was a provision for costs on an acquisition terminated by the vendor at a late stage.

Freshbake expands frozen food side via acquisition

BY STEVEN BUTLER

Freshbake Foods yesterday announced an expansion of its range of frozen food products with the acquisition of Betterbake Products for an initial £1.8m.

Betterbake manufactures a range of frozen savoury products and beefburgers, where Freshbake is already active, and will take the company into dairy sponge cakes and gateaux, which it says are fast-growing areas.

The initial consideration, which is to be satisfied by £462,177 and the issue of 783,879 new ordinary shares, is based on estimated pre-tax profits at Betterbake of £180,000 for the nine months to April 2 1988, with additional payments depending on performance.

Betterbake's pre-tax profits came to £170,255 in the year to the end of June 1987, on a turnover of £4.84m.

Freshbake said it had obtained warranties and indemnities as it normally does covering the financial information provided.

The company took a £5.76m provision in connection with over-statement of vegetable stocks and under-statement of creditors at World Farm Foods, which it acquired in January for nearly £8m.

ASD rises to £1.5m

ASD, USM-quoted steel stockholder and distributor, boosted taxable profits from £1.21m to £1.52m on turnover ahead from £34.67m at £45.1m in the six months to June 30, 1987.

The directors declared an increase from 4p to 4.5p in the interim dividend and after a fall in tax from £391,000 to £352,000 earnings per £1 share rose from 11.5p to 16.2p.

Acquisitions made during the year contributed £8.22m to the turnover and a modest pre-tax loss. The businesses were being rationalised and developed and performance was improving.

Mr Ralph Oppenheimer, chairman, said that although the second half was normally less profitable than the first half, the company was cautiously optimistic for the rest of the year.

Goal Petroleum up

Goal Petroleum, oil and gas exploration and production company, produced an interim pre-tax profit of £496,000 compared with a loss of £209,000 last time after oil production rose by 46 per cent.

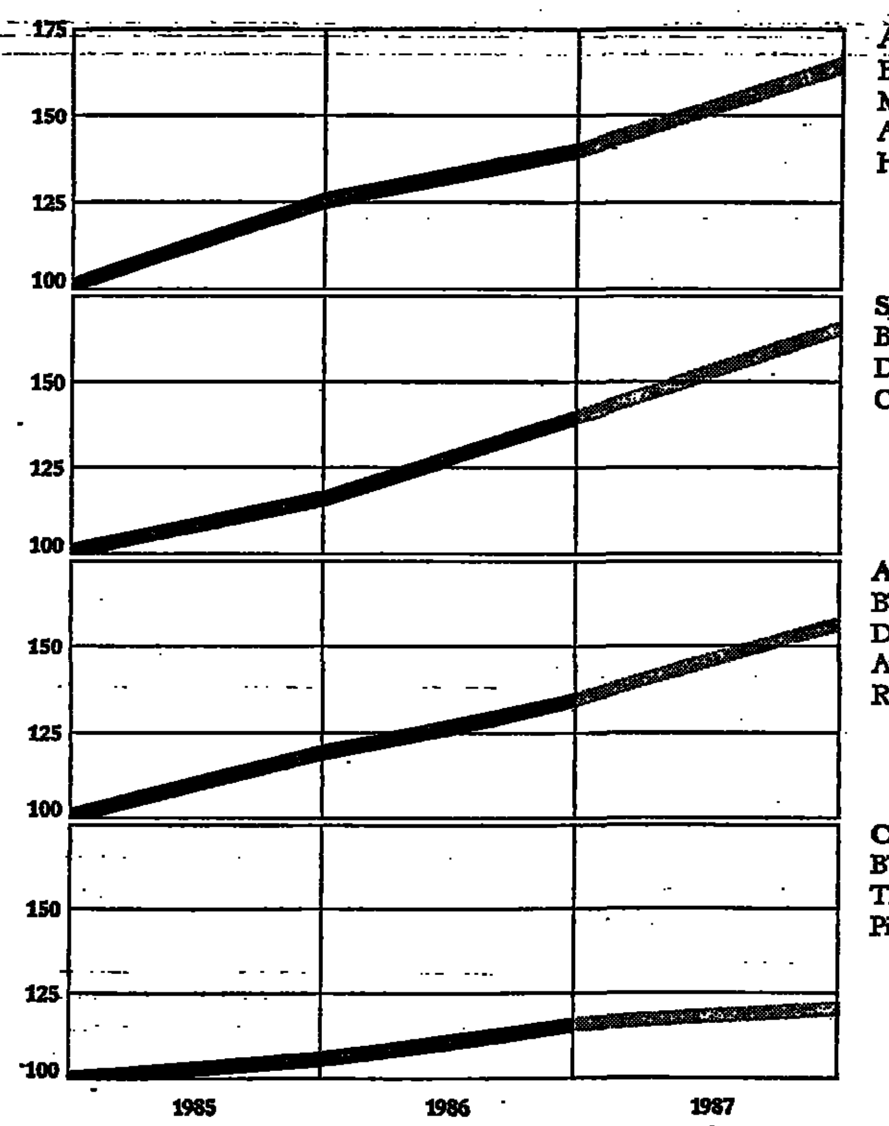
Turnover for the six months to June 30 was £3.35m (£1.8m) and earnings per share were 0.44p (0.19p loss). The average oil price realised was 30 per cent higher at $17.50 per barrel, giving a sterling realisation of £10.85 per barrel compared with £8.96 in the first half

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
ASD‡ ....int	4.5	Nov 2	4	—	8.5
Barker & Dobson ...int	1.5	Jan 5	—	—	1
Bodycote ....int	2	Dec 30	1.63*	—	4*
Booker ....int	5.4	Jan 4	4.75	—	13.75
Bowater ....int	5.25†	—	4	—	10
Brit. Aerospace ....int	6.9	—	6.4	—	17.4
Costain Group ....int	3.65	—	3.5*	—	8.75*
Electron House‡....	2.1	Oct 30	2	3.6	3.4
Emess Lighting ....int	2.8†	—	2.3	—	6.3
Expamet Intnl. ....int	3	—	2.7	—	6.75
Haynes Pub....	9	—	9	14	14
Hambro Cntrywde int	0.85	—	—	—	5
Hestair .... int	2	Jan 4	1.7	—	4.5
Ibstock Johnsen ...int	1.5‖	Nov 24	0.85	—	3
IMI ....int	2.75	Oct 19	2.5	—	6
Interlink Express‡....	3.5	—	—	5.85	—
Kerry‡ ....int	0.52††	—	—	—	0.38
LMS	2	Nov 7	1.8	2.8	2.55
Lopex ....int	2	Oct 23	1.8	—	4.2
Lyon & Lyon ....int	1.5	—	1.5	—	4
Macdonald Martin A int	4	Oct 23	4	—	19
Macdonald Martin B int	2	Oct 23	2	—	9.5
Prov. Financial ....int	4.5	Oct 21	4	—	13
Ricardo	2.25	—	2.25	3.25	3.25
Sherwood Comptr‡ int	1.5†	—	1.25	—	3.75
Technology Project int	1.34	Nov 2	0.66	—	2
Tozer Kemsley ....int	0.6	Oct 20	nil	—	0.5
Trade Indemnity ...int	2.2	—	1.85	—	4.3
John D. Wood‡	1.25**	Oct 22	—	1.25	—

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Third market. ‖ To reduce disparity. ** Special payment. †† Irish pence throughout.

	Unaudited 6 months ended June 30 1987 £000	Unaudited 6 months ended June 30 1986 £000	Audited year ended Dec. 31 1986 £000
Turnover	67,577	53,719	112,947
Profit before taxation	2,034	1,505	3,577
Profit after taxation and minority interests	1,003	603	1,585
Earnings per ordinary share	7.32p	4.95p	12.37p
Dividend per share	2.0p	1.8p	4.2p



US growth helps Hestair rise 62% to £5m halfway

Hestair, the services and consumer products group which is expanding in the US temporary employment field, produced a 62 per cent improvement in interim pre-tax profits to £5.03m after a strong performance in the US.

The group paid $19.8m (£12.6m) for two US agencies in August. Directors said it had completed its initial framework of temporary help branches in the country's major growth areas. Sales at the group's 87 US branches are running at an annualised $160m.

UK companies had made good progress with the exception of Knight Programming Support which had been affected by adverse currency movements.

Atlas in the services division and Dennis Eagle in the engineering division had achieved outstanding performances.

Turnover rose 35 per cent to £88.93m for the six months to July 31. Earnings per share rose from 8.5p to 11.2p, and the interim dividend rose from 1.7p to 2p.

In the US development was continuing and profit levels were exceeding expectations. The group plans to build its network in the temporary help field to some 200 branches, to develop a permanent placement operation and to acquire other niche businesses in personnel services.

In the UK the organic development of HMS and Atlas was continuing. The consumer products division was set for a strong second half and another record result was expected. Order intake at the vehicle division had improved and order books for the second half were strong, which should accelerate the profit recovery begun in the first half.

All UK divisions were actively seeking acquisition or product opportunities to increase profitable growth, and the directors were confident of another record year.

Tax rose from £273,000 to £356,000.

● comment

Opinion is divided over which will prove the better strategy; Hestair's piecemeal acquisition of US employment agencies which complement its existing network geographically, or Blue Arrow's $1.3bn assault on the market through the purchase of Manpower. Hestair argues that it is buying on exit multiples which are a fraction of Manpower's, and also enjoys better margins by avoiding overlap and going selectively for larger branches; yet with group profits of £13m in sight for the current year, it finds itself on a prospective p/e multiple no higher than Blue Arrow's at 16. Hestair's other activities discourage direct comparisons with Blue Arrow, but the market may prove correct in putting the shares on similar ratings. Blue Arrow's rights issue seems destined to deliver a share overhang of fairly gargantuan proportions in the short term, but Hestair's shares have had a strong run from 215p at the last preliminaries in April to yesterday's 389p, and next year's rising tax charge could see them pause for breath.

Emess in £3m German deal

BY CLAY HARRIS

Emess Lighting yesterday raised its stake in Brillant-leuchten, the West German lighting group, to 24 per cent in a £3m deal which gives the British company access to continental design expertise and an expanded overseas distribution network.

The lighting and electrical accessories group also reported an 80 per cent increase in interim pre-tax profits to £2.53m, on sales ahead by 73 per cent to 30.2m. The results included four months' contribution from Tenby Industries, which Emess bought from BSR International earlier this year.

Emess is to pay DM 8.6m (£3m) for a 20 per cent stake in Brillant, a listed company based in Bremen. It had already bought 4 per cent in the stock market.

Brillant, a lighting fixture supplier to leading European chains and an own-brand manufacturer for retailers including Ikea of Sweden, achieved pre-tax profits of DM 4.3m on sales of DM 79m in the year to April 30.

Mr Michael Meyer, Emess chairman, said yesterday that the design departments of both companies would co-operate on new products for which tooling costs would also be shared.

Emess fixtures would be distributed by Brillant subsidiaries in Australia and the US, and the German company's innovative products were likely to appear shortly in Britain.

Of the Emess shares to be issued in partial payment for the Brilliant stake, one-third will be retained by the vendors and two-thirds will be placed with West German institutions.

The acquisitions from Tenby accounted for about half of Emess's profits growth in the first half. Fraser & Glass, the moulded plastic motor components company sold to Trinova of the US at the end of June, contributed only about £200,000, according to Mr Meyer.

The group was on course to match its usual seasonal split of second-half profits of at least twice those in the first six months, he said.

Earnings per share advanced by more than 50 per cent to 9.3p (6p) and the interim dividend is increased to 2.8p (2.3p).

● comment

Emess is on target for £8m pre-tax for the full year. Although it falls short of some of the more bullish forecasts after then Tenby acquisition, the group's adroit use of the £15m in tax losses which came along in the bargain should insulate the effect on earnings per share. If these emerge at 27p, the prospective p/e stands above 18 at yesterday's market price of 504p, down 4p. The price already fully reflects admiration for Mr Meyer's design-conscious strategy (premium light switches colour co-ordinated with with Dulux shades) and canny forging of links with like-minded continental Europeans. In the absence of an early acquisition, the shares probably do not have much further to rise in the short term.

Better credit control helps lift Provident Financial

A 16.5 per cent increase in interim taxable profits at Provident Financial Group, consumer credit and insurance, was due largely to concentration in the credit companies on improvements to credit control and to the standard of collecting customers' repayments.

Profits for the six months to June 30 rose from £5.67m to £6.61m on turnover down from a restated £180.28m at £177.3m. Sir Timothy Kitson, chairman, said the reduced level of turnover was partly due to this emphasis on credit control and partly a reflection of the conditions in the retail sectors with which the company was most strongly linked.

Sir Timothy said that in the second half the company was continuing to give priority to credit control and to improvements in branch operating methods.

The directors declared an interim dividend of 4.5p — up from 4p last year. After tax of £2.31m (£2.06m), earnings per share rose from 7.32p to 8.71p. Net profits worked through at £4.3m, up from £3.62m last time.

Elsewhere in the group, progress had been maintained, especially in the insurance-related activities. Halifax Insurance in particular had benefited from more realistic industrywide levels of premium. The geographical expansion of Whitegates Estate Agency had been limited by the company's unwillingness to pay inflated prices for acquisitions. Nevertheless it had advanced from 70 branches at the end of 1986 to a current 86.

Sir Timothy said he expected the group to produce a good result in 1987.

In the comparable period last year profits were hit by the relatively poor start of weekly-collected credit companies which then accounted for 90 per cent of the group's turnover.

A large surge of customers in 1985 had also caused problems which had been exacerbated by the introduction of a new administrative system that had resulted in rather more slow paying customers than usual.

Acquisitions boost IMI to £40m

IMI, the diversified metals and engineering group, yesterday revealed that its profits for the first six months of the 1987 year had risen by £9.6m to £40.1mh at the pre-tax level.

The figures included six months' profits from companies acquired last year whereas the first half of 1986 included only two and a half months of Martonair profits. The additional benefit in 1987 was estimated by the directors at £2.6m.

The overall 31 per cent improvement in profits was achieved on the back of a 10 per cent increase in turnover to £421m. All but one of the group's businesses showed advances.

IMI achieved a considerable further advance in building products, particularly in copper tube, fittings and cylinders. The division's profits rose from £4.8m to £7.3m.

In drinks dispense increased profits were achieved in all areas, particularly in the UK where excellent progress was made in integrating Coldflow which was acquired in October 1986. The sector's profits rose from £7.2m to £8.7m.

In fluid control the Martonair purchase last year enhanced profitability and added impetus to worldwide growth in the group's pneumatics activities.

The refined and wrought metals division was affected by the performance of IMI Titanium. The copper companies were affected by lower copper prices early in the year.

The special engineering activities achieved a useful improvement.

Tax for the half year took £12.9m (£8.6m) leaving net profits at £27.2m (£21.9m).

Earnings worked through 0.9p ahead at 8.4p and the interim dividend is being lifted from 2.5p to 2.75p net per 25p share.

● comment

IMI is an ably run, solidly diversified company which suffers (from the investors point of view) from being neither cheap or glamorous enough. While its products are well received by trade and industry, few outsiders would immediately recall that IMI has a market capitalisation of over £800m, gearing of less than 20 per cent and pre-tax profits that this year will be knocking on the £100m door. The failure of its corporate image to match that of competitor Glynwed has two strands to it: IMI's acquisition policy has to produce the growth expected of top-rated companies; and the targets have not been chunky enough to generate the excitement that even the sober end of the City has come to expect. Perhaps this last point will be born in mind later this year when IMI draws up its hit list—a mixture of cash and paper would readily fund the lifting of its sights to the £200m plus level. This year £92m is forecast—on which the combination of the Martonair dilution and a higher tax rate will weigh heavily enough to keep the earnings per share growth to the mid-teens, some half that forecast for Glynwed. The shares slipped 9p to 268p as the market absorbed this prospect.

Engineering problems check Costain's profits at £21m

BY NIKKI TAIT

Continued problems on the civil engineering side and a large write-off on a Docklands tunnel project, pushed first-half pre-tax profits at Costain, the construction, property and mining group, down from £21.2m to £20.9m. Turnover in the six months to end-June was 13.3 per cent higher at £425m.

The downturn was accentuated at the earnings level by a rising tax charge (up from 27 to 33 per cent); the earnings per share figure dropped from 9.6p to 7.5p.

However, Costain—a subject of recent bid speculation—stresses that the performance of its mining and housing divisions showed good progress, and that its property arm, although suffering from the lumpiness of deals at the halfway stage, should advance in the full-year.

The company provides no half-time breakdown, but says that on the engineering and construction side, international contracting remain highly competitive while the UK civil engineering side showed a small loss before charging the tunnel provisions — believed to cost several million pounds. However, UK building business improved, as did the Australian engineering and contracting interests.

Coal-mining activities, by contrast, advanced while the Cracow gold mine operations in Australia started production in March and the South Carolina interests in August; Costain's share of annual production is 45,000 oz. The company also announced yesterday that it is making a $20m investment in oil and gas exploration and production, with the purchase of Valero Producing Company.

Housebuilding, too, saw strong growth and full year sales should be some 2,400 against 2,140 last time. On the property side development activity is "at an all-time high."

The interest charge came down from £8.9m to £4.9m, thanks to rights issue proceeds but is expected to rise in the second half, with year-end gearing expected to be around 30 per cent. Tax took a £6.9m bite (£5.7m) and there was a further £1.8m extraordinary charge, representing the costs of pulling out of housebuilding in Australia and another small disposal.

The interim dividend, however, goes up from 3.5p to 3.65p, and the company says that while short-term results may be influenced by difficult trading on the engineering side, "there is sound reason for optimism for our future growth."

● comment

That Costain should suddenly decide to make a more public presentation of itself as a four-legged creature—rather than one dependant on low-quality overseas business—may have a good bit to do with the recent bid speculation. But it does have a story to tell: engineering and construction which accounted for over three-quarters of profits in 1980 could be at little as 15 per cent of the current year's figure. In its place ,the company has indeniably found higher quality earnings, in particular from the mining diversification—and over one-third of 1987's coal sales will be made under contracts reaching into the next century. Shoter-term, alas, shareholders will probably face static profits and declining eps. Yesterday's interims had analysts downgrading forecasts to £64m-£64.5m, suggesting a prospective p/e of 14 with the shares 3p lower at 350p yesterday. Patience has been strained long enough, but some pay-off seems finally to be in sight—one way or another.

Packaging boosts Bodycote

HELPED by a substantial contribution from its new packaging division Bodycote International saw interim pre-tax profits almost doubled. Turnover increased by 32 per cent from £22.34m to £29.48m in the six months to the end of June 1987 for taxable profits of £3.71m against £1.91m last time.

Stated earnings per share were 9.6p (6p) and the interim dividend has been increased from an adjusted 1.63p to 2p.

Mr Joe Dwek, chairman and joint managing director, said that business had been good and orders allowed the company to look forward to the present six months with confidence.

He added that the packaging division performance had complemented the growth in the other divisions, metal treatment and protective clothing. KLM Kledingbedrijven EHCO had continued its excellent performance during the period.

The interest charge was £58,000 (£30,000). tax took £1.35m (£719,000) and there were minorities of £174,000 (£6,000) leaving profit for the year of £2.18m (£1.18m).

Sherwood Computer makes 48% growth

Including a four-month contribution from Corporate Technology Group, acquired in February, pre-tax profits of Sherwood Computer Services improved by 48 per cent in the first six months of 1987.

Turnover moved ahead from £4.87m to £7.29m and the taxable result was £709,000 against £480,000.

The interim dividend is being lifted to 1.5p (1.25p), to be paid from higher earning per 10p share of 10.4p (8.5p).

Tax took £243,000 (£174,000).

Ricardo profits halved to £1.37m

Ricardo Consulting Engineers pre-tax profits delined by 50 per cent from £2.77m to £1.37m for the year to June 30.

But turnover was only down by 2.5 per cent at £16.46m (£16.87m).

The directors said yesterday that steps had been taken to re-align the business towards areas with good long-term prospects. A US company, Tuck Engineering, had been acquired.

An unchanged final dividend of 2.25p was recommended, maintaining the total for the year at 2.25p. After tax of £510,000 (£1.06m) and an extraordinary debit (including redundancy payments) of £919,000 (nil), earnings per 25p share were almost halved to 6p (11.8p).

Expamet profits up to over £3m

Expamet International, suppliers of components, products and services to industrial building and security markets, lifted pre-tax profits by £1m to £3.25m in the six months to June 30 against an increase from £27.52m to £49.6m in turnover.

Coupled with the interim figures the company announced the acquisition of Timloc Building Products and its sister company, Timpak for £1.63m cash and £75,000 in ordinary shares.

Mr Jeremy Beasley, chairman, said the company's principal subsidiaries traded strongly in the period, with Expanded Metal and BAT both benefiting from a buoyant building market. BAT, in particular, had a very good first half, with profits well up on the same period last year. This improved performance looks set to continue, with current order intake at a high level.

IBC, under its new management, converted last year's losses into profit and continues to trade satisfactorily and the French companies performed well. Mr Beasley said benefits of the Christie Hydraulics merger with Fawcett are expected to show through early next year.

One or two areas of the security sector had a less successful first half but current sales are good and the company anticipated an improved performance in the traditionally stronger second half.

In the US, Expanded Metal continue to face difficult trading conditions and recorded a further loss for the six months. By June the market had begun to stabilise and company's performance has improved. Aplex and AST in the USC are making satisfactory profits.

Tax for the period was £1.22m (£805,000) leaving attributable profits of £2.03m (£1.48m) for earnings of 6.41p (6.13p) per 25p share.

The interim dividend is increased from 2.7p to 3p.

Recovery revs up Haynes Publishing profit

THE PREDICTED recovery at Haynes Publishing Group, publisher of car and motorbike manuals, was achieved in the year to May 31 1987 with taxable profits up from £1.56m to £1.88m. Turnover moved ahead from £10.45m to £11.76m.

The directors proposed an unchanged final dividend of 9p to give the same total as last year—14p. After tax of £725,000 (£604,000), earnings per share rose from 19p to 23p.

Mr John Haynes, chairman, who predicted the recovery after reporting a fall in pre-tax profits from £850,000 to £732,000 in the first half, said that improvement had been seen particularly in the US sales, which had increased by more than $1m (£600,000).

The improvement was continuing in the current year and if circumstances permitted, he intended to increase the interim dividend for the half to end of November 1987. Last year Haynes paid 5p.

Trade Indemnity

Trade Indemnity, a writer of credit insurance business both in the UK and overseas, announced yesterday that premiums written for the first half of 1987 had risen from £36.01m to £37.24m.

UK premium income on the 1987 underwriting account showed an increase of 6.6 per cent on 1986 at the same stage. The directors said this reflected the improvement in the UK economy. They added that the revivals in manufacturing output and stock building which were evident in the official statistics had yet to make their full impact on insured turnover and premium income.

The interim dividend is being stepped up from 1.85p to 2.2p.

Interlink hits £4.7m and plans further expansion

BY PHILIP COGGAN

Interlink Express, the parcel delivery company, yesterday announced an 82 per cent increase in pre-tax profits in its first preliminary results since joining the Unlisted Securities Market last October.

The pre-tax profits of £4.7m (£2.6m) for the 12 months to end-June were above the forecast of £4.5m the company made in the course of the financial year.

The group, which operates through 114 franchised units throughout the UK, collects and delivers parcels within 24 hours. Last year, the total number of consignments increased by 50 per cent with the average per night up from 5,700 to 8,200 by the end of the financial year.

Interlink opened an Irish subsidiary in August 1986 and Mr Richard Gabriel, chairman, said yesterday that Irish business was increasing rapidly. He also hoped to expand into Europe and the US.

Capital expenditure during the year totalled £2.4m, including the purchase of a head office in Bristol for £1m.

After tax of £1.6m (£943,000), earnings per share were 76 per cent higher at 19.42p (11.03p). The final dividend is being set at 3.5p (nil), making a total of 5.85p (nil).

The company's shares closed last night up 15p at 525p, compared with the 185p at which they were offered on flotation.

Electron House up 39% but tax hits earnings

PRE-TAX PROFITS of Electron House, the USM-quoted electronic component distributor, rose 39 per cent from £681,000 to £945,000 in the year to May 31 last against a threefold increase in turnover to £30.54m.

Earnings of this fast-growing acquisitive group slumped from 9.1p to 1.65p following a significant jump in the tax charge which took 62 per cent of the gross compared with just 9 per cent previously. Interest charges were also sharply higher at £586,000 (£373,000).

The results included five months contribution from Bytech, acquired in January 1987, which amounted to about £300,000

Mr Robert Leigh, chairman, said that the first three months of the current year gave grounds for optimism in achieving significant growth in sales and profits.

The total dividend is increased from 3.4p to 3.6p with a final of 2.1p per 10p ordinary.

UK COMPANY NEWS

Strong demand as Ibstock beats forecasts with £16m

STRONG DEMAND in the brick divisions and higher profits from fibres helped Ibstock Johnsen interim profits increase 2½ times. In the first six months of 1987 the taxable figure was up from £6.5m to £16.39m, about £3m above market expectations.

There was also a substantial fall in the net interest charges from £2.15m to £401,000 following last year's rights issue.

Turnover improved from £58.26m to £69.2m. Earnings per share came out at 7.26p (3.64p) and the interim payment is being raised from an adjusted 0.85p to 1.5p, partly to reduce disparity.

Mr Paul Hyde-Thomson, chairman, said on prospects for the second half that demand for bricks and tiles in the UK remained high and performance of the division continued to improve. Despite lower activity in the US demand was holding up and better margins were expected.

Of the period under review the directors said that the brick divisions on both sides of the Atlantic enjoyed strong demand and good winter conditions. In the UK despatches exceeded production, which was unusual for the first half of the year and trading profit was at a new high of £10.9m.

Fibres division profits at £2.2m (£534,000) were above the £1.4m for the whole of the previous year.

Turnover was split between £38.48m (£29.47m) for the UK and US £30.72m (£28.78m), giving UK trading profits of £10.92m (£6.64m) and £3.58m (£1.49m) in the US. The fibres contribution was added to that.

Tax took £4.59m (£1.82m) to leave net profits of £11.8m (£4.69m).

● comment

New managing director Peter Woodman could hardly have hoped to present a better set of figures; his problem will be to produce an encore. This is the year when everything is going right for Ibstock. At a time when demand for its two main profit earners, bricks and wood pulp, is buoyant the company is also reaping the rewards for doubling its stake in Eucalyptus Pulp Mills and for persevering in the US after several years of losses there. The market had expected pre-tax profits to double but when its expectations were exceeded it seemed reluctant to react, marking the shares up just 2½p to 189p. But if Ibstock produces £34m this year the prospective p/e will be about 12, leaving room for some growth at least. The company may never repeat the expansion of the first half of this year but it still has plenty to go at in the US, where margins are still only around 11 per cent compared with 28 per cent in the UK and where the popularity of Ibstock's speciality bricks is growing. With gearing expected to be nil by the end of the year, there is also scope *for paper-free acquisitions.*

Buoyant motor trade lifts TKM by 72% to £12m

The retail car market, the main source of earnings for Tozer Kemsley & Millbourn (Holdings), has been buoyant and this coupled with a full six months contribution from the Kenning Motor Group has helped boost pre-tax profits of this international trader by 72 per cent from £7.08m to £12.18m in the first half of 1987.

The company has restored an interim dividend with a 0.6p payment from earnings per 20p share of 4.1p (3.1p) basic and 3.3p (2.5p) fully diluted. The total payment for 1986 was 0.5p.

The directors said that the integration of Kenning proceeded smoothly and additional benefits had yet to emerge. The UK and French automotive subsidiaries have performed well and vehicle rental and tyre distribution have also enjoyed good trading conditions.

The car market, rentals and tyre distribtuion are traditionally busier in the second half and the board anticipates higher profits for the second six months.

There was disappointment that the recent bid for Molins failed but other acquisition prospects both within the motor trade and further afield will be strongly pursued.

Turnover for the period increased by 61 per cent to £437m (£271m) and trading profit increased from £10.01m to £15.89m. The share of profits of associated companies plummetted from £1.05m to just £23,000, MCL Group having a difficult first half. But the directors said that the advent of new Mazda models should *ensure a better result for the* full year.

Interest charges amounted to £3.73m (£3.98m) and tax charged was £5m (£2.93m). There were no extraordinary items this time (£5.37m credit).

● comment

A full six months from a re-envigorated Kenning has accounted for a large part of TKM's interim rise. In the first half of 1986, Kenning contributed £900,000 at the pre-tax level although it was included for only 1½ months, whereas for the full year the total was £6.3m. At a guess as much as two-thirds of the £5.1m rise this time came from the integrated Kenning operations. Offsetting this and TKM's organic growth rate was a drop to virtual break-even at MCL, the Mazda importer. Here the strong yen, a lack of new models and keen competition have all but wiped out the regular £1.5m pre-tax expected from the 40 per cent owned MCL. The drying up of UK tax credits has pegged the charge at 41 per cent and restricted the growth of fully diluted earnings to a third even though there was a 72 per cent pre-tax leap. This year £31m might just be possible, putting the shares at 145p on a prospective p/e of 16. In spite of losing Molins, Ron Brierley's listed UK vehicle clearly o re-enter the acquisition race to maintain this rating.

Budgen lifts Barker to £7m

BARKER & DOBSON'S interim results reflect the acquisition last year of the Budgen supermarket chain with group pre-tax profits up from £481,000 to £7.2m for the 28 weeks to July 11.

Budgen contributed £5.73m to the trading results compared with nil for the same period last year with the original confectionary sector contributing £1.06m, up from £286,000. Property contributed £967,000, including the disposal of under-*utilised sites.*

Group turnover was up from £15.39m to £143.55m with the bulk of turnover — £125.87m (nil)—coming from food retailing and £18.49m (£15.39m) from confectionary (the group figure takes in inter-company sales of £812,000).

The directors announced yesterday that 11 major store refits were planned before the year-end; together with three new stores. Budgen expects to open at least 12 new stores next year.

They were encouraged by the progress in all major areas of activity and were confident that this would be reflected in results for the full year.

"Current trading," they said, "remains strong with the added progressive favourable effects of revised product ranges being introduced."

Noting the contribution of the Budgen supermarket chain to the results, the directors said the company had an operating margin of 4.55 per cent, a substantial rise from the 4 per cent achieved for the final 20 weeks of the 1986 year.

They are paying an interim dividend of 1.5p (nil).

After tax of £1.52m (nil) earnings per 10p share rose from 0.2p to 6.63p.

● comment

John Fletcher, chairman of Barker & Dobson, has a smile on his face and well he might after yesterday's figures. The turnaround in Budgen has been faster than expected; 20 stores will have been refurbished by year end, three new ones opened and 12 more are planned for next year. Morale, which pre-Fletcher was so low it could have been hurdled by a slug, is high: staff response to a clear sense of direction and enthusiastic leadership clearly evident. On the confectionery side there is steady progress and, with the new Dundee plant on stream by November, scope for growth for the next two or three years. After that, who knows? Though speculation that the confectionery side will be sold has softened somewhat recently, the feeling remains that food retaining is where the future lies. With expectations of pre-tax profits of £14m, the shares, up 6p to 245p, are trading on a prospective p/e of 20, not cheap but the rating gives the company scope for further earnings-enhancing acquisitions.

John D. Wood advances 54% to £1.16m

John D. Wood, the estate agency which came to the USM in February, reported a 54 per cent rise in pre-tax profits for the year to end-April 1987.

On a pro-forma basis turnover moved 28 per cent ahead to £5.03m (£3.93m), and the pre-tax result came out at £1.16m (£756,000).

Mr George Pope, joint chairman, said that since the flotation a higher profile had been achieved. The London residential side of the group had been operating in favourable conditions and continued to flourish. The number of sales and he believed the company's market share, had increased.

The directors had been particularly encouraged by the improvement in the agricultural and country residential business, acquired in September 1986. *They intended to increase* the country departments' presence in the south of England.

In addition, they hoped to expand the existing networks of offices in the London residential department.

As indicated in the prospectus, a special 1.25p dividend is proposed. Earnings worked through at 9.6p (5.7p) per 10p share

All-round growth boosts Lopex by 35% to £2m

ALL-ROUND GROWTH, including being awarded the contract for the French government's Aids prevention campaign, helped Lopex, advertising and marketing group, report interim pre-tax profits up by 35 per cent.

On turnover up from £53.72m to £67.58m taxable profits for the first half of 1987 came out at £2.08m (£1.51m). Earnings per 5p share were 7.32p (4.95p) and the interim dividend has been increased to 2p (1.8p).

Mr John Castle, chairman and chief executive, said that there had been a number of important developments during the period including the acquisition of a minority interest in Design in Action and the commissioning of an advanced computer system. Also two overseas agencies had been bought, HVR Advertising in Amsterdam and Timing Publicidade de Portugal in Lisbon.

In the present half year it had bought Grayling Group, public relations consultants.

After tax of £832,000 (£575,000) and minority interests of £199,000 (£327,000) the retained profit for the period came out at £1m against £603,000 last time.

BOARD MEETINGS

TODAY

Interims: Abbott Mead Vickers, Amari, BICC, BTR, British Vita, Forward Technology, Instem, Klearfold, MBS, Moss Bros., James Neill, New Darien Oil, Nurdin and Peacock, Peninsular and Oriental Steam Navigation, Prudential, Turner and Newall, James Wilkes, George Wimpey.

Final: Alumasc.

FUTURE DATES

Interim—	
Antofagasta	Sept 17
Bank of Wales	Sept 22
Daniels (S.)	Sept 14
Estates and Gen. Investments	Sept 28
London United Investment	Sept 10
Manders	Sept 17
Morgan Crucible	Sept 21
Next	Sept 15
Scottish Heritable Trust	Sept 15
Scottish Television	Oct 9
Finals—	
BM	Oct 30
CALA	Sept 15
Casket (S.)	Sept 23
Chambers and Fargus	Sept 15
Mucklow (A. and J.)	Sept 18
Northern Industrial Improvement Trust	Sept 18
West Yorkshire Independent Hospital	Sept 14
Westpool Invest. Trust	Sept 17

Admiral Computing up 48% halfway

Admiral Computing Group, which joined the USM in March, produced a 48 per cent improvement in pre-tax profits to £621,000 for the six months to June.

Turnover rose from £2.93m to £3.95m, and earnings per share were 3.9p (2.8p).

The recent slowdown in new orders would result in lower growth than previously anticipated for the year, said the directors. But they were reviewing opportunities for expansion and believed prospects were encouraging. The government sector had seen strong growth.

As announced in the company's listing particulars, the board will not declare an interim dividend, but expects to recommend a final payment of not less than 1.46p for the year.

TPS increases profits by 42%

Technology Project Services, supplier of engineering and technical support staff, increased pre-tax profits by 42 per cent from £404,000 to £576,000 for the six months to June 28.

Turnover increased by 27 per cent to £4.64m (£3.65m).

Referring yesterday to the record turnover and profit, Mr Richard Avery, chairman, said that the planned restructuring of the company's operations was already producing results.

"An encouraging number of new international clients and contracts have been won," he said. "The board considers the outlook for 1987 to be very positive."

After tax of £202,000 (152,000) earnings per 10p share increased to 7.8p (5.3p).

A dividend of 1.34p (0.66p) was declared.

COMMODITIES AND AGRICULTURE

UK seeks higher grain moisture limit

BY BRIDGET BLOOM IN NYBORG, DENMARK

BRITAIN HAS applied to the European Commission for permission to raise the limit on moisture content of cereals allowable for sale into intervention.

The move, announced by Mr John MacGregor, the Minister of Agriculture yesterday, was welcomed by the *National Farmers' Union* which has been calling for the increase for the past few *weeks following the heavy* rains which have delayed and affected the size of the current harvest.

The EC cereals management committee has been asked to endorse a maximum moisture content of 15.5 per cent, compared with the 14.5 per cent which has been applied for the past year. The move will *bring Britain into line with* France and most of its competitor producers in Europe.

Mr MacGregor, who was yesterday attending an informal meeting of EC Agriculture Ministers in Denmark, explained that his action had been made necessary by the exceptionally wet weather since mid-August. Despite pressure from the farmers he had waited until now before acting because the higher *moisture content* would inevitably make British cereals exports less competitive.

Since it is likely to mean more cereals sold into intervention, it will also raise costs of supporting cereals within the EC.

However, the new moisture limit—which seems certain to be accepted in Brussels—will reduce drying costs for farmers who, because of the bad *weather*, are *likely* to suffer a considerable drop in yield.

Farm ministers agree to differ

BY BRIDGET BLOOM

AGRICULTURE MINISTERS of the European Community ended a two-day meeting here yesterday with an agreement to disagree on whether environmental protection policies should be given a higher priority within the Common Agricultural Policy.

The Ministers were addressing the issue of agriculture's relationship to the environment for the first time and no decisions were expected from their informal meeting.

However, while all agreed on the importance of environmental protection, the 12 Ministers differed about the degree to which Common Agricultural Policy regulations should be extend to cover environmental problems.

The clearest divisions emerged between the northern countries like Denmark, playing host to the meeting, where intensive agriculture is recognised to have *harmful or polluting* effects and is already strictly controlled by the Danish government and the Mediterranean countries, in particular, where the use of fertilisers or pesticides is markedly less and where concern for the environment, where it exists, centres on problems stemming from the de-population of rural areas.

Clearly very few other countries would be willing to adopt the sort of stringent controls now in force in Denmark on a national basis, let alone extend them Community-wide.

But while Ministers discussed the key issues of the nature of environmental pollution, the identity of its perpetrators and whether controls should be voluntary or compulsory or whether Community aid should *be available on an increasing* scale, there were apparently no agreed answers.

Mr John McGregor, British Agriculture Minister, was clear that Community action should be conceived with "great sensitivity" to members' differences and binding legislation which could not be made to stick should be avoided.

He also pointed out that additional cash aid for environmental issues could impose unacceptable burdens on the EC budget.

Neither Mr Ignaz Kiechle, the German Minister nor Mr Francois Guillaume, whose attitude to the whole environmental question was described as "defensive," wanted to see the extension of compul*sory EC regulations on the en*vironment while all three ministers noted that on the whole farmers were not the polluters but the protectors of the environment.

The Ministers agreed that the European Commission will produce further studies both of what has been done within the Community so far on environmental issues and on suggestions for future action.

It will also further examine suggestions made by individual Ministers including that of Mr Guillaume that the Community should give more support to the production of bio-ethanol, mainly from cereals.

Cocoa falls sharply

By David Blackwell

COCOA PRICES fell steeply in London yesterday as delegates to the International Cocoa Organisation (ICCO) continued to seek an agreement on the operation of its price stabilisation system.

The December contract on the London Futures and Options Exchange (Fox) fell £29 to close at £1,214.50 a tonne—the lowest closing level since April 12, 1983.

ICCO delegates are meeting for the second time to wrestle with the problems of setting buying and selling prices for the organisation's buffer stock manager. They failed to agree in July on a revised floor price when prices unexpectedly started to recover after a steady decline.

Until delegates reach agreement the buffer stock manager is unable to intervene, although the cocoa price as measured in Special Drawing Rights (SDRs) fell yesterday to 1,576.65 a tonne. This is well below the present 1,600 SDR floor level under which he bought 75,000 tonnes, the maximum permitted, in May and June.

Consumer delegates want to see the floor level lowered, while producers are arguing that it should remain the same.

Plant closure lifts germanium

BY DAVID OWEN IN TORONTO AND DAVID BLACKWELL IN LONDON

THE PRICE of germanium has risen sharply this week following the closure by Vancouver-based Musto Explorations of its Apex gallium/germanium production and processing complex in southern Utah.

The company blamed plant problems and the "incredibly soft" gallium market.

"We closed now because we discovered that some fluorides had corroded the glass in the germanium refinery stills," said Mr Art Lew, company treasurer. "We estimate that we will be down for at least four months while plant modifications take place."

The Apex plant, which came on stream late in 1985, is capable of producing some 100 kg of gallium and 17,750 kg *of germanium per annum. It* is unique in being specifically built to produce the two metals, which are usually derived as by-products—gallium from the production of aluminium, and germanium from the production of copper and zinc.

Its impact on the germanium market was immediate, according to Mr Doug Hulse, of Wogan Resources, London's leading strategic metals dealer. It was expected to produce 30 tonnes of the metal a year, *when the world market is for* 180 tonnes, and prices of germanium dioxide fell from $450 to about $350 a kilo.

But its rate of recovery of the metal *was far lower* than expected, and prices were hovering around $400 a kilo last week. However, news of the shutdown has pushed prices to $460 a kilo this week.

Traders expect the shutdown to last considerably longer than the four months announced by Musto. They believe the increase in prices could be custained, particularly as China has switched this year from being a net exporter to a net importer of germanium, which is used in the production of infra red lenses and fibre optics.

Gallium prices are historically low at the moment, at around $350 a kilo. Gallium *arsenide is used to make* computer chips which react much faster than silicon chips, and are thus in demand for military computers.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week5s prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,280-2,320 (2,280-2,330).

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse 4.50-4.70 (4.40-4.60).

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots 2.20-2.28 (2.10-2.17), sticks 2.20-2.28 ((2.10-2.17).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse 6.50-6.70 (6.45-6.70).

MERCURY: European free market, min 99.99 per cent, $ per flastk, in warehouse, 290-300 (278-285).

MOLYBDENUM: European free market, drummed molybdic oxde, $ per lb Mo, in warehouse 3.00-3.05 (2.98-3.05).

SELENIUM: European free market, min 99.5 per cent, $ per lb in warehouse, 5.50-5.30 (same).

TUNGSTEN ORE: European free market, standard min 65 per cent, per tonne unit W O, cif, 40-57 (42-57).

VANADIUM: European free market min 98 per cent V O, other sources, $ per lb VO, cif 2.62-2.70 (same).

URANIUM: Nuexco exchange value, $ per lb U O, 16.65 (16.75).

Floods cut jute crop but raise quality

BY SAYED KAMALUDDIN IN DHAKA

THE WIDESPREAD floods which have wrought havoc in Bangladesh have also helped to improve the quality of the country's raw jute production.

Mr Khandkar Asaduzzaman, permanent secretary to the jute ministry, said that the increased availability of flowing water had helped farmers to improve the quality while processing the crop after harvesting.

The floods have forced early harvesting of the jute crop — over 60 per cent has already been harvested — which has affected the length of its fibre. On top of that over 500,000 bales has been lost in the floods. The Government has revised jute production figures to 4m bales from an earlier estimate of 4.5m bales.

With a carry-over of 3.9m bales from last season, however, there would not be any problem in meeting the local raw jute consumption of 4m bales and an estimated export demand of 2.3m bales, MrAsaduzzaman said. World raw jute demand has been estimated at 2.7m bales so there should be a carry-over of 1.6m bales, including one million bales of buffer

Meanwhile the Jute Ministry has revised an estimated $82m project to produce pulp for paper mills from jute cuttings. sum-aofsedH3hdm

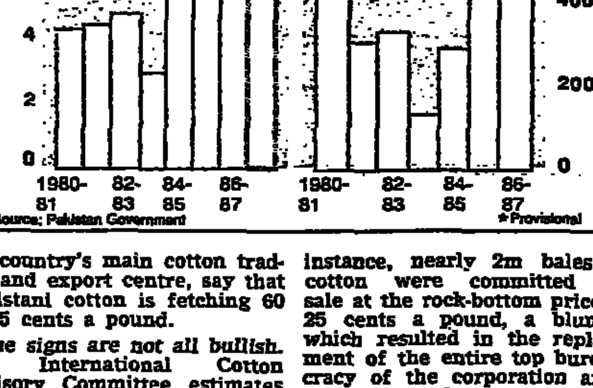
Mohammad Aftab on the revival in the cotton industry

Pakistan picks up the threads

PAKISTAN IS looking forward to regaining its position as the world's exporter of raw cotton following the harvesting of a record crop this season.

"Production has exceeded the target of 7.7m bales," for the 1987-88 crop, says Mr Sartaj Azis, Minister of State for Agriculture; and Karachi traders puts it even higher—at close to 8m bales (375 lbs each).

The introduction of new technology, high-yielding and early maturing seeds, greater utilisation of fertiliser, improved availability of irrigation water and good weather, have all contributed to a surge in production in recent years.



Source: Pakistan Government

Output rose from 5.7m bales in 1984-85 (July-June), to 7.26m bales in 1985-86, and 7.64m bales in 1986-87.

In spite of a severe cotton price setback in the international market in the summer of 1986, when prices touched bottom at 25 cents a pound—a 12-year low—returns to farmers have remained good, encouraging them to plant more and make greater use of expensive inputs.

Pakistani cotton prices seem set to *remain strong during the* coming months. Demand is holding up well while poor crops are expected in the Soviet Union, Greece and China.

*The New York futures con*tract for December delivery, which stood at 77.25 cents a lb on July 31—up from 32.95 cents a lb on the same date in 1986—*is* holding its ground at just below 76 cents a lb.

Business analysts in Karachi, the country's main cotton trading and export centre, say that Pakistani cotton is fetching 60 to 65 cents a pound.

The signs are not all bullish. The International Cotton Advisory Committee estimates 1987-88 global cotton supply at a more-than-adequate 111.60m bales, while the existing stock level is put at 31.40m bales.

The Pakistani Government seems undaunted by these figures, however, and its optimism about cotton price prospects was underlined recently when it liberalised trade in the commodity to allow private businesses to enter the export market.

When the cotton trade was nationalised 14 years ago the state-owned Cotton Export Corporation was given the export monopoly.

The CEC's operations sometime had disastrous results. In the summer of 1986, for instance, nearly 2m bales of cotton were committed for sale at the rock-bottom price of 25 cents a pound, a blunder which resulted in the replacement of the entire top bureaucracy of the corporation amid allegations of mismanagement and possible corruption.

Mr Abdul Sami Qureshi, the new CEG chairman, welcomes the liberalisation of exports.

"We will have an exportable surplus of over 3.5m bales in the forthcoming season and *shall have to export close to* 300,000 bales a month on average," he estimates.

Last year, he says, nearly 3.5m bales were left for export, and the situation this year "is not very different." The new policy means private enterprise will be able to play its part in selling the country's bumper crop.

Until nationalisation the private traders handled all cotton exports—but at that time the total crop was very small in comparison with the quantities involved now. For years they had been clamouring to be let back into this lucrative sector.

The Karachi Cotton Association, representing private business, will work with the CEC to co-ordinate export activities and avoid undermining the market.

Mr Mahbubul Haq, the *Minister for Commerce* and architect of the new liberal policy, explains that "an export price check committee will be established to keep tabs on exports and the prices at which cotton is sold by the private business and the CEC. In order to ensure proper prices, and obviate under-invoicing, dumping, and unfair competition against *the CEC, all export* contracts will be registered with the State Bank of Pakistan."

The committee will announce a daily price based on the Liverpool "B" Index.

The CEC will purchase cotton from growers at support prices fixed by the Government. Private exporters will purchase cotton from CEC.

Mr Tahir Shafique, the KCA chairman, says, however, that "the condition for private business to purchase cotton from the CEC will be a handicap." *He* and other traders believe they could buy more cheaply direct from growers or ginners.

"But at least a beginning has been made," he reflects philosophically. "Now *we have to* prove our mettle as market men."

LONDON MARKETS

THE RALLY in aluminium prices on the London Metal Exchange which started towards the end of last week continued yesterday when the cash standard position gained £19 to £1,003 a tonne. That took the aggregate rise over the last three trading days to £40.50. The recovery in the dollar-denominated high-grade metal has been even more marked with the cash position advancing $130 since last Thursday. Dealers attributed the early part of yesterday's rise to covering against potential options declarations. In the afternoon, they added, there was spill-over strength from the rising copper market. Cash Grade A copper ended the day £14.50 up at £1,069.50 a tonne. Dealers put this down mainly to technical factors and the strength of the New York market. Coffee prices lost ground meanwhile as sentiment continued to be affected by Monday night's reports of divisions between delegates at the Mexico meeting studying the reinstatement of export quotas.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

ALUMINIUM—99.7 per cent

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High/Low
Cash	1723-7	+42.5	—
3 months	1658-62	+21.5	1658/1648

Official closing (am): Cash 1,714-20 (1,680-90), three months 1,654-6 (1,640-3), settlement 1,720 (1,690). Final Kerb close: Ring turnover: 3,650 tonnes.

99.5% purity	£ per tonne		
Cash	1002-4	+19	998
3 months	976-7	+15	997/969

Official closing (am): Cash 997-8 (986-7), three months 972-2.5 (969-6), settlement 998 (987). Final Kerb close: 976-7. Ring turnover: 23,175 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1069-70	+14.5	1063/1062.5
3 months	1054.5-5	+16.25	1057/1042

Official closing (am): Cash 1,062.5-3 (1,056-6.5), three months 1,047-7.5 (1,039-40), settlement 1,063 (1,056.5). Final Kerb close: 1,056-7.

Standard			
Cash	1064-9	+13	—
3 months	1050-4	+15.5	—

Official closing (am): Cash 1,057-62 (1,053-6), three months 1,043-8 (1,035-9), settlement 1,062 (1,056). US Producer prices: 80-86 cents a pound. Total ring turnover: 52,325 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	412-4	+1	411/410
3 Months	393-4	+3	394/392

Official closing (am): Cash 409-9.5 (414-5), three months 391.5-2 (392.5-3.5), settlement 409.5 (415). Final Kerb close: 393.5-4. Ring turnover: 8,175 tonnes. US Spot: 42 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3192-5	—19	3221
3 months	3182-5	—14	3220/3180

Official closing (am): Cash 3,220-2 (3,210-5), three months 3,210-5 (3,200-5), settlement 3,222 (3,215). Final Kerb close: 3,180-5. Ring turnover: 624 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	446-50	+2	—
3 months	452.5-3.5	—0.5	456.5/455

Official closing (am): Cash 450-0.5 (444-6), three months 455-6 (452-3), settlement 450.5 (446). Final Kerb close: 454.5-5. Ring turnover: 8,050 tonnes. US Prime Western: 43-48.5 cents a pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.	Calls Jan.	Puts Nov.	Puts Jan.
Aluminium 99.7%	—	—	—	—	—
	—	—	—	—	—
	—	—	—	—	—
Aluminium 99.5%	1,575	—	—	34½	85½
	1,600	81	66	44½	99½
	1,625	67½	56	—	—
Copper (Grade A)	1,700	—	—	36½	66½
	1,725	73½	74	47	76
	1,750	60½	63	—	—
	£/tonne				
Copper (Grade A)	1025	—	—	15½	30
	1050	36	38½	25½	42
	1075	24½	28½	—	—

Estimates.

TIN

KUALA LUMPUR TIN MARKET—Close: 16.82 (16.77) ringgit per kg. Up 0.05.

GOLD

GOLD BULLION (fine ounce)	Sept. 8	
Close	$457¾-458¼	(£275¾-276¼)
Opening	$463¼-463¾	(£278½-279)
M'n'g fix	$462¾	(£276¾)
Aft'n'n fix	$456¾	(£276¼)
Day's high	$463½-464	—
Day's low	$455¾-456¼	—

GOLD AND PLATINUM COINS		
Am Eagle	$470-475	(£283-286¼)
Mapleleaf	$469½-472½	(£282¾-284¾)
Kr'g'r'nd	$456-459	(£274¾-276½)
½ Krug.	$241-242	(£145¼-145¾)
¼ Krug.	$120-121	(£72¼-72¾)
Angel	$467-470	(£281¼-283)
1/10 Angel	$45¾-50¾	(£27½-30½)
New Sov.	$107¾-108¾	(£65-65½)
Old Sov.	$107¾-109¾	(£65-65¾)
Noble Plat.	$619-628	(£372¾-378¼)

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.51p per kg lw (—0.64). GB—Sheep 164.71p per kg est dcw (+6.58). *GB Pigs 73.30p per kg. lw* (+1.72).

FUTURES—Pigs: Oct 102.00, Nov 103.30, April 98.00. Sales: 5.

INDICES

REUTERS

Sept. 8	Sept 7	M'th ago	Yearago
1642.4	1640.6	1647.2	1487.3

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Sep. 4	Sept. 3	M'th ago	Year ago
Spot	128.66	129.86	—	121.72
Fut	131.32	130.87	—	124.94

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Sept. 8 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1790/720	+25	$1850/868
Copper			
Cash Grade A	£1069.5	+14.5	£1136.5
3 months	£1054.75	+16.25	£1118.15
Gold Troy oz	$458	—5.75	$460.75
Lead Cash	£413	+1	£421.5
3 months	£393.5	+3	£396.5
Nickel			
Free Mkt	242/252c	+5	239/258c
Palladium oz	$157.00	—1.5	$142.75
Platinum oz	$593.75	—9.85	$631.00
Quicksilver†	$300/310		$270/275
Silver troy oz	460.90p	—2.28	498.35p
3 months	472.45p	—2.25	511.20p
Tin			
free Mkt	£4120/150	+5	£4170/200
Tungsten	$55.47		$55.69
Wolfram 22.0lb	$43/55		$43/55
Zinc	£449	+2	£513.25
3 months	£453	—0.5	£511.5
producers	$860		$860
OILS			
Coconut (Phil)	$485u	—10	$470
Palm Malayan	$325z		$300
Seeds			
Copra (Phil)	$320		$390
Soyabean (U.S.)	$148.5		$150.5
GRAINS			
Barley Fut. Nov.	£100.25	+0.50	£99.35
Maize	£158.00	+1	£155.50
Wheat Fut. Nov.	£105.05	+0.05	£101.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1214.5	—29	£1320.5
Coffee Ft. Nov	£1320.5	—25	£1290.5
Cotton A Ind.*	64.95c		64.40c
Gas Oil Oct.	$152.75	—0.5	$166
Rubber (kilo)	69.75p		76.25p
Sugar (raw)	$146.5u	+0.4	$152.2
Wooltops 64s	467p kilo		495p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v Oct x Aug-Sept. w Oct-Nov. u Sept-Oct. y Nov. z Dec.

SILVER

Silver was fixed 2.2p an ounce lower for spot delivery in the London bullion market yesterday at 460.9p. US cent *equivalents of the fixing levels were:* Spot 764.15c, down 4.6c; three-month 778.45c, down 4.4c; six-month 793.5c, down 4.4c; and 12-month 828.65c, down 2.65c. The metal opened at 461-461½p (768½-768½c) and closed at 450-451p (747-749c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	460.90p	—2.28	752.5c	—15
3 months	472.45p	—2.25	765.5c	—16
6 months	484.05p	—2.18	—	—
12 months	507.75p	—1.45	—	—

Three months final kerb 764-7c.

LME—Turnover: Nil (nil) lots of 10,000 ounces.

COFFEE

After spending a quiet and dull morning Robustas came under pressure from trade selling in sympathy with early New York weakness, reports Drexel Burnham Lambert. Trade houses featured as persistent sellers, which kept the market under constant pressure. The market consequently closed at the lows, holding the technical support levels.

COFFEE	Yesterday close	+ or —	Business done
Sept	1293-1295	—15.0	1308-1290
Nov	1320-1321	—23.0	1343-1320
Jan	1350-1351	—22.0	1372-1348
Mar	1363-1365	—25.0	1382-1360
May	1382-1385	—21.5	1394-1380
July	1400-1410	—21.0	1422-1402
Sept	1422-1427	—22.5	—

Sales: 3,596 (1,239) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for September 4: Comp. daily 1979 106.84 (106.40); 15-day average 101.80 (101.12).

COCOA

Futures eased again throughout the day. Commission house selling instigated the sharp decline, coupled with long liquidation. Origins and manufactaurers remain sidelined with only light second-hand business apparent, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
Sept	1180-1182	—26.0	1208-1188
Dec	1214-1215	—29.0	1243-1215
March	1245-1246	—29.0	1276-1243
May	1269-1270	—28.0	1292-1269
July	1288-1299	—28.5	1312-1288
Sept	1308-1309	—28.5	1328-1308
Dec	1329-1331	—28.0	1352-1331

Sales: 6,684 (1,835) lots of 10 tonnes.

ICCO indicator prices (SDRs per tonne). Daily price for September 8: 1,824.80 (1,549.34); 10-day average for September 9: 1,576.65 (1,583.86).

FREIGHT FUTURES

The market continued quiet with no fresh physical news and the index was *unchanged, reports Clarkson Wolff.*

Dry Cargo	Close	High/Low	Prev.
Oct.	1105/1109	1115/1105	1112/1113
Jan.	1110/1115	1120/1105	1128
Apr.	1186/1200	1190/1185	1198
July	1050/1140	—	1097
Oct.	1070	—	1068
Jan.	1090	—	1085
April	1180	—	1175
BFI.	1060.5		1060.5

Turnover: 85 (200).

GRAINS

LONDON GRAINS—Wheat: US Dark *Northern Spring No 2, 14 per cent: Oct* 93.25, Nov 94.75. US No 2 Soft Red Winter: Oct 89.50, Nov 91.75, Dec 93.00. French 11½-12 per cent: Sept 135.00 sellers. English feed, fob: Oct 106.00-106.50, Oct/Dec 107.50-107.75 buyer/sellers, Jan/March 111.00, April/*June 115.50 seller. Maize: US No 3* Yellow / French, transhipment East Coast: Sept 158.00 seller. Barley: English feed: Oct/Dec 104.50-106.00, Jan/March 107.75-108.00 buyer/sellers.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
Sep.	104.10	+0.18	97.50	—0.9
Nov.	105.05	+0.05	100.25	—0.80
Jan.	107.20	—0.05	103.00	—0.80
Mar.	109.85	—0.15	105.25	—0.80
May	112.20	—0.30	107.15	—0.75
July	114.60	—0.15	—	—

Business done—Wheat: Sept 104.25-4.10, Nov 105.05-4.75, Jan 107.20-7.00, March 109.90-9.80, May 112.30-2.20, *July untraded. Sales: 229 lots of 100* tonnes. Barley: Sept 97.60-6.60, Nov 100.35-99.75, Jan 102.75-2.80, March 105.15-5.00, May 107.00. Sales: 267 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices. Feed barley: E. East 95.70, *S. West 93.70, W. Midlands 94.90,* N. West 96.00. The UK monetary coefficient for the week beginning Monday September 14 (based on HGCA calculations using five days' exchange rates) is expected to remain unchanged.

Wheat was generally easier, reflecting improved weather and found shipper selling against commission house buying. Barley, in contrast, firmed sharply on consumer and merchant profit-taking reaching £1 up before attracting shipper selling, reports T. G. Roddick.

POTATOES

The market was quiet, trading in a limited range to close at the day's lows, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business done
Nov.	86.00	86.80	86.50-86.00
Feb.	95.00	97.00	95.00
March	86.50	87.50	86.00
Apr.	133.50	135.00	134.50-133.50
May	147.10	148.20	147.50-146.50

Sales: 416 (511) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) Sept.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	16.80-16.90*	+0.025
Brent Blend	17.55-17.65	—0.05
W.T.I. (1pm edt)	18.85-18.90*	—
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	172-175	—2
Gas Oil	151-152	—1
Heavy fuel Oil	94-96	—
Naphtha	154-156	—1

* October.
Petroleum Argus estimates

SOYABEAN MEAL

Early weakness was met by keen support from commercial buying and later prices ralied on the back of a firmer Chicago market. A large option trade took place on April between commercial and professional sources at a £4 premium, reports Muirpace.

	Yesterd'ys close £ per tonne	+ or —	Business done
October	127.7-127.9	+0.90	—
Dec	127.0-127.5	+0.75	—
Feb	127.5-128.0	—	127.5
April	128.5-129.8	+0.95	128.5-129.0
June	124.0-124.2	+0.18	—
August	123.5-125.4	+0.40	—
October	124.0-126.0	+0.75	—

Sales: 3,075 (54) lots of 20 tonnes.

US MARKETS

EARLY LOCAL selling in precious metals touched off commission house stops before local and commission house short-covering steadied prices back into trade scale-up selling, reports Drexel Burnham Lambert. Towards the close, the locals again *sold* to bring prices off the highs in markets that derived some steadying assistance from the weaker US dollar and a lower stock market. *Copper firmed on* fund buying and commission house short-covering despite trade and arbitrage scale-up selling. Crude oil was relatively quiet, but easier on trade selling, especially as the market approached $19, basis October. The market retreated as prices continued to reflect Opec overproduction and lack of further incidents in the Gulf. Coffee eased as commission house stops were hit, despite trade buying, as the market adjusted to expec*tations from the current ICO* meetings. Cocoa fell as trade and speculative selling eased the market in response to disappointment with the ICCO meetings where consumers appear to be adopting a hard line. Industry offtake was noted at the lows. Heavy switch activity in sugar, where commission houses were a notable seller of the October/March switch, and commission house and trade buying firmed prices despite scale-up selling.

NEW YORK

ALUMINIUM 4,000 lbs; cents/lbs

	Close	Prev	High	Low
Sept	80.50	77.75	80.00	80.00
Oct	79.50	76.75	—	—
Nov	78.50	75.75	—	—
Dec	77.50	75.25	76.50	76.00
Jan	77.00	74.75	—	—
Mar	74.80	72.55	—	—
May	71.80	69.55	—	—
July	70.00	69.05	—	—

COCOA 10 tonnes; $/tonnes

	Close	Prev	High	Low
Sept	1906	1949	1922	1900
Dec	1900	1944	1915	1890
March	1921	1962	1940	1910
May	1947	1985	1952	1937
July	1969	2008	1974	1971
Sept	1992	2031	2000	2000
Dec	2020	2060	2035	2035

COPPER 25,000 lbs; cents/lbs

	Close	Prev	High	Low
Sept	80.90	78.00	81.00	78.50
Oct	80.05	76.95	—	—
Nov	79.60	76.40	—	—
Djec	79.15	76.90	79.25	76.70
Jan	78.50	75.25	77.00	76.70
March	77.20	74.10	77.20	74.70
May	76.60	73.50	76.00	74.60
July	76.15	73.05	—	—
Sept	76.20	73.10	74.00	74.00
Dec	76.15	73.05	74.20	74.20

COFFEE "C" 37,500 lbs; cents/lbs

	Close	Prev	High	Low
Sept	112.75	113.45	113.65	112.10
Dec	115.54	116.80	117.20	115.15
March	118.80	120.10	120.30	118.75
May	120.60	121.75	122.00	120.70
July	122.50	123.85	124.00	123.00
Sept	124.25	126.10	—	—
Dec	124.98	124.25	125.00	124.95

HEATING OIL
42,000 US gallons; cents/US gallons

	Latest	Prev	High	Low
Oct	50.85	51.83	52.00	50.35
Nov	51.40	52.31	51.45	50.70
Dec	51.95	52.89	52.05	51.35
Jan	52.60	53.48	52.60	52.00
Feb	52.75	53.85	52.95	52.40
March	51.80	52.70	52.00	51.35
April	50.60	51.55	51.00	50.60
May	49.50	50.45	49.90	49.50
June	48.90	50.05	49.00	48.90

GOLD 100 troy oz; $/troy oz

	Close	Prev	High	Low
Sept	457.8	463.1	—	—
Oct	459.8	465.1	461.9	457.5
Nov	462.7	468.0	—	—
Dec	465.5	470.8	467.5	463.5
Feb	471.8	476.9	473.5	469.7
April	478.1	483.1	479.5	476.0
June	484.6	489.4	485.0	483.1
Oct	498.4	503.1	499.0	495.0
Dec	505.5	510.0	505.5	505.0
Feb	512.8	517.2	—	—
June	527.6	531.8	—	—

ORANGE JUICE 15,000 lb—cents/lb

	Close	Prev	High	Low
Sept	137.15	135.70	137.95	136.25
Nov	131.05	130.25	131.50	130.50
Jan	130.35	130.00	130.80	130.15
March	130.65	130.05	130.90	130.25
May	131.15	130.70	131.25	130.70
Sept	131.50	130.30	130.90	130.90

PLATINUM 50 troy oz— $/troy oz

	Close	Prev	High	Low
Oct	596.5	607.8	602.0	590.0
Jan	604.3	615.3	608.5	599.0
April	612.3	623.3	615.0	608.0
July	620.5	631.5	624.5	620.5
Oct	628.5	639.5	—	—

SILVER 5,000 troy oz— cents/troy oz

	Close	Prev	High	Low
Sept	748.0	763.1	750.0	742.5
Oct	751.6	767.1	—	—
Dec	761.5	777.0	771.0	755.0
Jan	766.4	781.9	—	—
March	778.2	793.7	787.0	773.0
May	789.6	805.1	790.0	790.0
July	801.5	817.0	803.0	797.0
Sept	813.8	829.2	806.0	806.0

SUGAR WORLD "11" 112,000 lb cents/lb

	Close	Prev	High	Low
Oct	5.85	5.83	5.88	5.81
Jan	6.08	5.98	6.10	6.10
March	6.61	6.49	6.61	6.47
May	6.84	6.70	6.85	6.69
July	7.03	6.90	7.05	6.88
Oct	7.25	7.15	7.25	7.07
Jan	7.40	7.33	—	—
Jan	7.33	7.36	—	—
May	8.84	6.70	6.85	6.69

CHICAGO

COTTON 50,000 lb; cents/lb

	Close	Prev	High	Low
Oct	74.30	76.30	75.75	74.30
Dec	73.84	75.84	75.50	73.84
March	75.05	77.05	76.78	75.05
May	75.55	77.55	77.05	75.50
July	75.00	77.00	76.50	75.00
Oct	68.75	70.60	69.50	68.60
Dec	66.65	68.45	68.15	66.45

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
Oct	18.88	19.32	18.98	18.72
Nov	18.74	19.12	18.78	18.55
Dec	18.72	19.10	18.78	18.54
Jan	18.70	19.08	18.72	18.58
Feb	18.71	19.08	18.73	18.55
March	18.71	19.08	18.73	18.63
April	18.75	19.08	18.75	18.59
May	18.88	19.08	18.70	18.70
June	18.70	19.08	18.75	18.73
July	18.70	19.08	18.70	18.70

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
Oct	68.29	67.57	68.27	67.97
Dec	68.80	68.27	66.95	68.20
Feb	68.75	68.35	68.80	68.20
April	69.47	69.35	69.50	69.20
June	69.00	68.82	69.00	68.80
August	67.55	—	67.80	67.50
Oct	66.45	66.85	68.90	66.45

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
Oct	50.27	51.07	51.20	50.20
Dec	48.85	49.50	58.45	58.25
Feb	46.50	47.02	47.05	46.15
April	43.32	43.55	43.75	43.25
June	45.15	45.25	45.30	44.55
Aug	43.80	—	44.20	43.80

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
Feb	60.17	62.15	61.60	60.15
March	69.55	61.37	61.00	59.45
May	60.30	61.87	61.65	59.90
July	60.25	61.72	61.10	59.35

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	Prev	High	Low
Sept	161.2	158.2	161.4	156.2
Dec	172.0	167.6	172.0	166.2
March	181.6	177.4	181.6	176.0
May	187.0	182.6	187.0	181.2
July	189.0	184.5	189.0	184.2
Sept	188.0	184.4	188.4	184.4
Dec	193.0	189.0	193.0	188.0

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
Sept	521.6	519.0	522.0	516.4
Nov	520.4	516.4	521.4	513.0
Jan	526.4	521.2	527.0	519.0
March	532.2	527.4	532.6	525.0
May	537.2	533.0	537.4	530.2
July	538.2	533.2	539.0	531.0
August	534.4	530.0	536.0	530.4
Sept	529.0	525.0	—	—

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
Sept	170.0	166.3	170.0	165.9
Oct	165.2	162.8	165.5	162.2
Dec	163.5	160.8	163.7	160.2
Jan	162.4	159.7	162.5	159.0
March	161.7	158.6	162.0	158.3
May	161.5	158.6	161.5	158.0
July	161.0	157.5	162.0	160.0
August	161.0	156.5	161.0	161.1
Sept	159.7	156.5	159.5	160.0

SOYABEAN OIL 60,000lb, cents/lb

	Close	Prev	High	Low
Sept	15.73	15.78	15.77	15.60
Oct	15.78	16.88	15.85	15.70
Dec	16.15	16.23	16.23	16.05
Jan	16.30	16.36	16.36	16.21
March	16.60	16.67	16.65	16.55
May	15.85	16.90	16.90	16.80
July	17.10	17.17	17.10	17.00
August	17.08	17.15	17.08	17.10
Sept	17.12	17.15	17.15	17.10

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
Sept	281.2	275.0	—	273.0
Dec	294.0	287.4	294.0	286.2
March	298.4	292.6	299.0	291.0
May	290.4	284.0	291.0	284.0
July	277.4	272.0	278.0	271.4
Sept	277.6	275.0	—	—

SPOT PRICES: Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 748.5 (772.0) cents per troy ounce. New *York tin 318-319 (317-318) cents per* pound.

SUGAR

LONDON DAILY PRICE—Raw sugar $146.60 (£88.40), up 40c (unchanged) a tonne for September/October delivery. White sugar $182.00, up $1.00.

	Yesterd's close	Previous close	Business done
	$ per tonne		
No. 6 Raws			
Oct.	133.6-133.8	127.8-128.0	133.6-127.6
Dec	1390.-141.0	134.6-135.0	1350
Mar	149.2-149.8	145.8-146.2	1494-145.4
May	155.2-155.6	150.8-156.6	155.9-151.8
Aug	157.0-158.0	154.6-155.2	—
Oct	160.6-161.8	158.8-159.8	—
Dec	164.5-165.6	163.0-164.6	—
No. 5 Whites			
Oct.	181.0-182.0	178.4-178.6	182.9-180.8
Dec	181.2-182.5	179.8-180.0	182.4-180.0
Mar	185.8-186.0	183.8-185.0	186.4-185.3
May	189.9-188.6	187.5-188.0	189.9-188.0
Aug	192.4-195.0	191.0-192.0	—
Oct	196.5-197.0	194.6-195.6	199.0
Dec	201.5	187.0-206.8	—

Sales: No. 6 2,386 (314) lots of 50 tonnes; No. 5 2,301 (1,244).

Tate and Lyle delivery price for granulated basis sugar was £192.50 (same) a tonne *for export.*

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for September 4: Daily price 5.42 (5.51); 15-day average 5.53 (5.56).

PARIS—Whites (FFr per tonne): Oct 1075-1076, *Dec 1089-1090*, March 1114-1115, May 1138-1142, Aug 1160-1170, Oct 1192-1198.

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Sept.	151.50	—0.75	152.00-51.25
Oct	152.75	—0.50	152.75-51.50
Nov.	154.25	—0.50	154.25-53.25
Dec	156.25	—0.25	156.25-55.25
Jan.	155.50	—1.00	156.00-55.50
Feb.	156.00	—	156.00

Turnover: 5,447 (3,475) lots of 100 tonnes.

JUTE

JUTE—September/October c and f Dundee, BTC $570, BWC $580, BTD $495, BWD $485; c and f Antwerp, BTC $540, BWC $530, BWD $475, BTD $485.

RUBBER

PHYSICALS—Closing prices (buyers): *Spot 68.75p (same); Oct 68.50p (same);* Nov 68.75p (same). The Kuala Lumpur fob prices (Malay/Singapore cents) per kg was RSS No 1 283.0 (same); SMR 20 238.5 (same).

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Central banks help dollar

THE DOLLAR finished little changed from Monday's closing levels as investors kept on the sidelines ahead of Friday's release of US trade figures. Central banks were active supporters of the dollar but only on a modest scale and this was seen as a follow up to comments by Mr Karl Otto Poehl, president of the West German Bundesbank, suggesting that th Louvre accord still intended to keep the dollar steady.

The West German Bundesbank gave some assistance to the dollar in the open market, followed by Dutch and Swiss central banks as well as the Bank of Japan. The Bank of England bought dollars but sold D-marks instead of sterling.

The Bank of France was also active but sold D-marks for francs in an attempt to relieve some of the pressure on the weaker members of the EMS while yesterday's general election in Denmark showed signs of being a cliff hanger.

As far as the US dollar was concerned many speculators were sceptical, suggesting that it was relatively easy to control the US unit as the moment because no one was really trying to sell it. If the next set of US trade figures prove to be a disappointment, the token efforts made by central banks today would, if repeated, be swept aside.

Ahead of Friday's figures most traders were content to remain on the sidelines. The dollar closed at DM1.7925 from DM1.7920 and Y141.70 compared with Y141.75. Elsewhere it finished at SFr1.4840 from SFr1.4850 and FFr5.9950, unchanged from Monday. On Bank of England figures, the dollar's exchange rate index finished at 100.1 from 100.2.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. August average 1.5985. Exchange rate index 73.2 against 73.3 at the opening and the close on Monday night. The six months ago figure was 71.8.

Sterling remained within a narrow range for much of the day. It showed an improvement from time to time against a weak dollar but there was never any attempt to launch an attack on the DM3.00 level and the Bank of England sold D-Marks and bought dollars during the day.

The pound closed at $1.6595 from $1.6600, having touched a high of $1.6645. It was unchanged against the D-Mark at DM2.9750 and Y235.25 against the yen. Elsewhere it finished at FFr9.9475 from FFr9.9525 and SFr2.4625 from SFr2.4650.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7090. August average 1.8573. Exchange rate index 147.3 against 147.4 six months ago.

The Bundesbank was active in the open market buying dollars in what many dealers saw as an exercise to show central banks' resolve to adhere to the Louvre accord of February.

There was no intervention at the fixing when the dollar was quoted at DM1.7930 compared with DM1.7935 on Monday. The Bundesbank's intervention was part of a package involving several European central banks but dealers tended to view the whole episode in a rather half hearted light.

Once again sentiment remained fixed on Friday's release of US trade figures.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. August average 147.57. Exchanbe rate index 223.4 against 209.2 six months ago.

Trading was relatively subdued in Tokyo. Many people were keeping to the sidelines ahead of Friday's release of US trade figures. Closure of US markets also introduced a cautionary note.

The dollar closed at Y141.70 compared with Y141.80 on Monday. It was down to Y141.40 at one point which attracted support from te Bank of Japan on a modest scale.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.0775	+1.46	+0.77	± 1.5344
Danish Krone	7.85212	7.99454	+1.81	+1.12	± 1.6404
German D-Mark	2.05853	2.07269	+0.69	0.00	± 1.0981
French Franc	6.90403	6.93399	+0.43	−0.26	± 1.3674
Dutch Guilder	2.31943	2.33286	+0.58	−0.11	± 1.5012
Irish Punt	0.768411	0.777182	+1.14	+0.45	± 1.6684
Italian Lira	1483.58	1501.58	+1.21	+1.13	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept. 8	Latest	Previous Close
£ Spot	1.6590-1.6600	1.6545-1.6555
1 month	0.36-0.34pm	0.37-0.35pm
3 months	1.04-1.01pm	1.14-1.09pm
12 months	3.65-3.55pm	3.25-3.15pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Sept. 8	Previous
8.30 am	73.3	73.1
9.00 am	73.3	73.1
10.00 am	73.2	73.1
11.00 am	73.2	73.1
Noon	73.1	73.2
1.00 pm	73.1	73.2
2.00 pm	73.1	73.3
3.00 pm	73.2	73.2
4.00 pm	73.2	73.3

CURRENCY RATES

Sept. 8	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.78368	0.697002
U.S. Dollar	5.5	1.2996	1.15528
Canadian $	8.75	*	1.51573
Austrian Sch.	4	NA	14.5866
Belgian Franc	7¼	NA	43.0775
Danish Krone	7	NA	7.99454
Deutsche Mark	3.0	2.3308	2.07269
Neth. Guilder	4½	NA	2.33286
French Franc	9½	7.7962	6.93399
Italian Lira	12	NA	1501.58
Japanese Yen	2½	184.41	163.934
Norway Krone	8	NA	7.61734
Spanish Peseta	—	NA	139.154
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for Sept. 7; N/A

POUND SPOT—FORWARD AGAINST THE POUND

Sept 8	Day's spread	Close	One month	p.a.	Three months	% p.a.
US	1.6550-1.6645	1.6590-1.6600	0.37-0.34 cpm	2.57	1.06-1.01 pm	2.49
Canada	2.1732-2.1826	2.1785-2.1795	0.21-0.11 c pm	0.88	0.51-0.38 pm	0.82
Netherlands	3.34¼-3.35¼	3.34¼-3.35¼	1½-1¼ c pm	4.93	4-3¾ pm	4.63
Belgium	61.64-61.97	61.75-61.85	23-15 c pm	3.69	58-47 pm	3.40
Denmark	11.44½-11.49¾	11.47½-11.48½	Par-⅝ore dis	−0.33	¼-1½ dis	−0.39
Ireland	1.1125-1.1175	1.1140-1.1150	0.10-0.04pm	0.75	0.20-0.05pm	0.45
W. Germany	2.97-2.98	2.97-2.98	1⅝-1⅜ pf pm	6.05	4½-4¼ pm	5.88
Portugal	233.80-235.74	234.15-235.15	63-116 c dis	−4.58	248-334 dis	−4.96
Spain	197.42-200.08	199.55-199.85	86-118 c dis	−6.13	197-246 dis	−4.44
Italy	2147¼-2158	2155-2156	4-7 lire dis	−3.06	11-17 dis	−2.60
Norway	10.91½-10.94¾	10.91¼-10.92¼	3⅝-4¼ ore dis	−4.39	9⅝-10¼ dis	−3.64
France	9.93¾-9.96¾	9.94¼-9.95¼	2-1½ c pm	2.11	5⅛-4½ pm	1.91
Sweden	10.47¼-10.50	10.48¾-10.49¾	⅛-Par ore pm	0.08	⅜-⅛ pm	0.10
Japan	234¾-235¾	234¾-235¾	1⅜-1¼ y pm	6.38	3⅝-3⅜ pm	5.95
Austria	20.88-20.95	20.91-20.94	10¼-9⅞ gro pm	5.91	30⅝-28⅝ pm	5.66
Switzerland	2.45¼-2.46¼	2.45¼-2.46¼	1½-1¼ c pm	6.70	4-3¾ pm	6.29

Belgian rate is for convertible francs. Financial franc 62.10-62.20. Six-month forward dollar 1.80-1.75 c pm. 12-month 2.96-2.46 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Sept. 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6550-1.6645	1.6590-1.6600	0.37-0.34c pm	2.57	1.06-1.01pm	2.49
Ireland†	1.4853-1.4909	1.4880-1.4890	0.26-0.21c pm	1.89	0.80-0.70c pm	2.01
Canada	1.3110-1.3137	1.3120-1.3130	0.17-0.20c dis	−1.69	0.54-0.57 dis	−1.69
Netherlands	2.0140-2.0215	2.0170-2.0180	0.41-0.37c pm	2.32	1.12-1.07pm	2.17
Belgium	37.15-37.31	37.20-37.30	5-2 pm	1.13	11.00-6.00pm	0.91
Denmark	6.90-6.92½	6.91½-6.92	0.90-1.40ore dis	−1.99	3.25-4.00 dis	−2.10
W. Germany	1.7885-1.7960	1.7920-1.7930	0.56-0.53pf pm	3.65	1.57-1.52pm	2.33
Portugal	141¼-141½	141¼-141½	75-105c dis	−7.64	240-290 dis	−7.50
Spain	120.11-120.58	120.25-120.35	100-120c dis	−10.96	230-260 dis	−8.14
Italy	1295-1301	1298¾-1299¾	5.50-6.50lire dis	−5.55	15.00-18.00dis	−5.09
Norway	6.57½-6.59¾	6.58-6.58½	3.70-3.90ore dis	−6.92	10.00-10.30dis	−6.16
France	5.98¾-6.00¾	5.99¼-5.99¾	0.17-0.27c dis	−0.44	0.80-1.00 dis	−0.60
Sweden	6.30½-6.32¾	6.32-6.32½	0.80-1.00ore dis	−1.71	2.50-2.80 dis	−1.68
Japan	141.50-141.95	141.65-141.75	0.45-0.43y pm	3.72	1.23-1.18 pm	1.99
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.40-37.50.

CURRENCY MOVEMENTS

Sept. 8	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Sept. 8	£	$
[illegible]	[illegible]	[illegible]
Hong Kong	12.9400-12.9530	7.7940-7.8000
Iran	117.65*	70.60*
Korea(Sth)	1332.95-1345.00	803.30-809.90
Kuwait	0.46430-0.47000	0.27970-0.27980
Luxembourg	61.75-61.85	37.20-37.30
Malaysia	4.1590-4.1695	2.5075-2.5095
Mexico	2506.75-2524.40	1510.00-1511.00
N. Zealand	2.6675-2.6725	1.6070-1.6085
Saudi Ar.	6.2250-6.2305	3.7500-3.7510
Singapore	3.4625-3.4695	2.0870-2.0880
S. Af. (Cm)	3.3560-3.3710	2.0200-2.0245
S. Af. (Fn)	5.4010-5.5830	3.2520-3.3615
Taiwan	49.95-50.20	30.05-30.15
U.A.E.	6.0965-6.1015	3.6725-3.6735

*Selling rate.

EURO-CURRENCY INTEREST RATES

Sept. 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept. 8	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.660	2.975	235.3	9.948	2.463	3.348	2156	2.179	61.80
$	0.603	1.	1.793	141.7	5.995	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.336	0.558	1.	79.08	3.344	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.251	7.054	12.65	1000.	42.28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.005	1.668	2.991	236.5	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.406	0.674	1.208	95.53	4.040	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.299	0.496	0.889	70.28	2.972	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.464	0.770	1.380	109.1	4.615	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.459	0.762	1.365	108.0	4.565	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.618	2.685	4.814	380.7	16.10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and US bonds weaker

LONG TERM gilt futures closed near the day's low on the London International Financial Futures Exchange yesterday. December gilts opened firmer at 115-16, and temporarily moved above resistance at 115-18 to a high of 115-20, but there was lack of follow through.

After gaining ground on the early strength of sterling, the contract retreated on news the Bank of England had joined in central bank intervention to support the dollar. It fell back to a support point of 114-28, before recovering slightly to close at 114-31, compared with 115-08 on Monday.

Trading is expected to be in a narrow range, as cash yields hold around 10 per cent, awaiting the implications of higher US interest rates, and ahead of the UK money supply and bank lending figures, on September 18.

US Treasury bond futures opened unchanged on Liffe at 83-20 for December delivery, but lost ground, touching a low of 82-31 as US credit markets opened easier after the long weekend

Trading was described as quiet, with the weak dollar still weighing on prices.

The market is waiting for the US trade figures for July, amid nervousness that the deficit will be bigger than June's $15.71bn, but until then seems content to track the dollar.

The US currency was little changed yesterday, after co-ordinated intervention by European central banks, but in expectation of further problems for the US currency and the possibility of higher US interest rates, December bonds fell to close 83-04.

Japanese Government bond futures opened firmer on Liffe, with December at 101.20, which was also the day's low. The improvement reflected a sharp rebound earlier in Tokyo, on short covering to meet settlement requirements for the first half of the year.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	7.21	8.02	0.23	0.62
110	5.38	6.34	0.40	1.30
112	4.05	5.08	1.07	2.04
114	2.45	3.57	1.47	2.53
116	1.46	2.57	2.48	3.53
118	1.02	2.06	4.04	5.02
120	0.39	1.31	5.41	6.27
122	0.20	1.01	7.22	7.61

Estimated volume total, Calls 1,810 Puts 1,330
Previous day's open int: Calls 18,850 Puts 12,285

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
78	5.37	5.25	0.29	1.09
80	4.21	4.05	1.13	1.53
82	2.54	2.62	1.46	2.46
84	1.49	2.05	2.41	3.53
86	0.61	1.26	3.53	5.10
88	0.33	0.59	5.25	6.43
90	0.13	0.37	7.05	8.21
92	0.05	0.22	8.61	10.06

Estimated volume total, Calls 65 Puts 62
Previous day's open int: Calls 369 Puts 370

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Sept.	Calls—Last Oct.	Puts—Last Sept.	Puts—Last Oct.
22750	4.20	9.63	3.80	4.53
23000	3.06	8.197	5.16	5.59
23250	2.15	6.90	6.75	6.80
23500	7.46	5.75	8.56	8.15
23750	0.96	4.75	10.56	9.65
24000	0.61	3.88	12.71	11.28
24250	0.37	3.13	14.97	13.03
24500	0.22	2.50	17.32	14.90

Estimated volume total, Calls 1 Puts 0
Previous day's open int: Calls 483 Puts 225

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Sept.	Oct.	Nov.	Dec.	Puts—Last Sept.	Oct.	Nov.	Dec.
1.45	20.95	20.95	20.95	20.95	0.00	0.00	0.00	0.01
1.50	15.95	15.95	15.95	15.95	0.00	0.00	0.02	0.09
1.55	10.95	10.95	10.95	10.95	0.00	0.03	0.19	0.43
1.60	5.95	5.95	6.06	6.26	0.00	0.35	0.88	1.39
1.65	1.15	2.30	2.85	3.25	0.26	1.80	2.67	3.38
1.70	0.00	0.55	1.03	1.40	4.11	5.05	5.85	6.53
1.75	0.00	0.07	0.27	8.50	9.11	9.57	10.09	10.63

Estimated volume total, Calls 56. Puts 0
Previous day's open int. Calls 277 Puts 1629

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Sept.	Oct.	Nov.	Dec.	Puts—Last Sept.	Oct.	Nov.	Dec.
1.45	12.70	—	—	12.90	1.50	—	—	2.70
1.50	16.20	16.20	16.20	16.20	0.30	0.30	0.30	0.40
1.55	11.20	11.20	11.20	11.20	0.30	0.30	0.40	0.65
1.60	6.20	6.20	6.30	6.50	0.30	0.60	1.00	1.50
1.65	1.35	2.50	2.90	3.30	0.50	1.80	2.80	3.30
1.70	0.30	0.80	1.15	1.50	4.20	5.00	5.80	6.35
1.75	0.50	—	—	1.20	15.30	—	—	16.50

Previous day's open int: Calls 933 Puts 189
Volume: 15

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Sept.	Oct.	Nov.	Dec.	Puts—Last Sept.	Oct.	Nov.	Dec.
1.575	8.15	8.15	8.15	8.25	—	0.15	0.40	0.75
1.600	5.65	5.85	6.05	6.25	—	0.25	0.80	1.20
1.625	3.40	3.85	4.15	4.40	—	0.75	—	2.05
1.650	1.25	2.20	2.65	3.05	0.10	1.65	2.40	3.10
1.675	0.20	1.10	1.60	2.05	11.55	3.00	3.80	14.40
1.700	—	0.65	0.90	1.25	3.80	4.90	5.60	6.20
1.725	—	0.25	0.50	0.75	6.30	4.90	7.60	8.10

Previous day's open int: Calls 153,521 Puts 145,730
Previous day's volume: Calls 810 Puts 2,462

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Sept.	Dec.	Mar.	June	Puts—Last Sept.	Dec.	Mar.	June
91.50	0.92	0.38	0.42	0.45	0.00	0.31	0.73	1.00
91.75	0.67	0.25	0.31	0.35	0.00	0.43	0.87	1.15
92.00	0.42	0.14	0.25	0.27	0.00	0.57	1.06	1.32
92.25	0.18	0.08	0.18	0.20	0.01	0.76	1.24	1.50
92.50	0.03	0.04	0.12	0.15	0.11	0.97	1.43	1.70
92.75	0.01	0.02	0.08	0.10	0.34	1.20	1.64	1.90
93.00	0.00	0.01	0.05	0.07	0.58	1.44	1.86	2.12

Previous day's open int: Calls 2,327 Puts 2,775
Estimated volume, Calls 31 Puts 221

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Sept.	114-26	115-08	115-01	115-04
Dec.	114-31	115-20	114-28	115-08
March	115-02	—	—	115-11

Estimated Volume [illegible]
Previous day's open int. [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

[illegible]

THREE-MONTH STERLING
£500,000 points of 100%

[illegible]

FT-SE 100 INDEX
£25 per full index point

[illegible]

THREE-MONTH EURODOLLAR
$1m points of 100%

[illegible]

US TREASURY BONDS 8%
$100,000 32nds of 100%

[illegible]

POUND—$ (FOREIGN EXCHANGE)

[illegible]

IMM—STERLING $ per £

[illegible]

LIFFE—STERLING £25,000 $ per £

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Sept.	84-12	84-26	84-04	85-03
Dec.	83-16	83-27	83-05	84-05
Mar.	82-19	82-31	82-09	83-08
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM)
$1m points of 100%

[illegible]

CERT. DEPOSIT (IMM)

[illegible]

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sept.	0.7058	0.7065	0.7046	0.7085
Dec.	0.7118	0.7127	0.7127	0.7146
Mar.	0.7195	0.7195	0.7195	0.7214
June	—	—	—	0.7285

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	0.5581
[illegible]	[illegible]	[illegible]	[illegible]	0.5615
[illegible]	[illegible]	[illegible]	[illegible]	0.5663
[illegible]	[illegible]	[illegible]	[illegible]	0.5711

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	92.48
[illegible]	[illegible]	[illegible]	[illegible]	91.65
[illegible]	[illegible]	[illegible]	[illegible]	91.27
[illegible]	[illegible]	[illegible]	[illegible]	91.03
[illegible]	[illegible]	[illegible]	[illegible]	90.84
Dec.	90.65	90.67	90.62	90.68
Mar.	90.51	90.51	90.47	90.53
June	90.37	90.38	90.35	90.40

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep.	0.6742	0.6748	0.6728	0.6735
Dec.	0.6806	0.6812	0.6791	0.6811
Mar.	0.6875	0.6875	—	0.6876
June.	—	—	—	0.6938

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Sept.	315.25	315.95	313.80	315.35
Dec.	317.80	318.55	316.45	318.00
Mar.	320.60	321.20	318.90	320.95
June	323.50	324.90	322.10	323.80

MONEY MARKETS

Softer tone

THERE WAS a slightly easier tone to interest rates on the London money markets yesterday, with three-month interbank falling to 10⅛-10⅛ per cent from 10¼-10¼ per cent. One-year money declined to 10⅝-10½ per cent from 10⅞-10⅝ per cent, as sterling held steady on the foreign exchanges, and dealers were uncertain about the implications for London rates of last Friday's rise in the US Federal Reserve's discount rate.

UK clearing bank base lending rate 10 per cent since August 7

There is unlikely to be any economic news to move the market, until publication of the UK retail prices index on Friday.

The Bank of England forecast an initial money market shortage of £200m, but revised this to £250m at noon. Total help of £81m was provided.

The central bank did not operate in the market during the morning, but after lunch bought £61m bills outright, by way of £35m Treasury bills in band 1 at 9⅞ per cent; £19m local authority bills in band 1 at 9⅞ per cent; and £7m bank bills in band at 9⅞ per cent.

Late assistance of around £20m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £185m, with Exchequer transactions absorbing £85m. These outweighed a fall in the note circulation adding £70m to liquidity and bank balances above target of £25m.

In Frankfurt call money rose to 3.80 per cent from 3.75 per cent, as delers feared the Bundesbank would not fully replace DM17.5bn draining from the banking system today, as securities repurchase agreements expire, leading to a tightening of credit conditions.

Upward pressure on rates was capped by the announcement the Bundesbank was to hold a tender for a new 35-day securities repurchase agreement, at a fixed rate of 3.60 per cent. The scale of the allocation will be made known today.

Dealers commented that if the Bundesbank had reverted to taking bids at the tender from a minimum rate upwards this would have led to higher money market rates, putting increased pressure on the dollar.

But at the same time dealers indicated the authorities remain concerned about money supply growth. This rose in August at an annual rate of 7.4 per cent, unchanged from July, and still outside the Bundesbank's 3 to 6 per cent target range.

In Zurich the four largest Swiss banks increased rates on customer time deposit rates, with a maturity of six to 12 months to 3½ per cent from 3¼ per cent. Rates on three to five month deposits remain at 3¼ per cent.

The four banks involved are Credit Suisse; Swiss Bank Corp; Union Bank of Switzerland; and Swiss Volksbank.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept. 8) 3 months U.S. dollars: bid 7⅞ [illegible] offer 7⅞ [illegible]; 6 months U.S. dollars: bid [illegible] offer [illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	8¾	One month	8.67
Broker loan rate	[illegible]	Two month	8.79
Fed. funds	[illegible]	Three month	8.98
Fed funds at intervention	[illegible]	Six month	9.25
		One year	9.44
		[illegible]	9.58

Sept. 8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.75-3.85	3.85-4.00	3.85-4.00	3.85-4.00	4.20-4.35	5.0
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Sept. 8	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month [illegible] per cent; three months [illegible] per cent; Bank Bills (sell): one-month 9[illegible] per cent; three months [illegible] per cent; Treasury Bills: Average tender rate of discount 9.7614 p.c. [illegible] [illegible] for period [illegible]. Reference rate for period [illegible]. Finance Houses Base Rate [illegible] from September 1, 1987. Certificates of Tax Deposit [illegible]; one-three months [illegible] per cent; [illegible] 12 months [illegible] per cent. Under £100,000 [illegible] cash 5 per cent.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY SEPTEMBER 8 1987					MONDAY SEPTEMBER 7 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (93)	170.35	+0.5	152.19	155.39	2.40	169.50	151.38	155.46	170.35	99.92	77.54
Austria (16)	98.35	+0.0	87.86	91.65	2.25	98.35	87.84	91.65	101.62	85.53	92.85
Belgium (48)	130.13	−2.2	116.25	120.18	3.95	133.05	118.83	122.88	134.89	96.19	92.40
Canada (129)	134.96	−1.3	120.57	128.26	2.33	136.78	122.16	129.90	141.78	100.00	101.43
Denmark (39)	124.83	+1.2	111.52	117.45	2.41	123.38	110.19	115.99	124.83	98.18	92.04
France (121)	115.72	−0.1	103.39	108.83	2.59	115.86	103.48	108.96	121.82	98.39	96.20
West Germany (92)	100.66	+0.3	89.93	93.80	2.02	100.37	89.64	93.51	104.93	84.00	94.34
Hong Kong (45)	144.12	−1.6	128.75	144.32	2.48	146.48	130.82	146.62	147.36	96.89	78.71
Ireland (14)	145.49	+0.1	129.98	137.72	3.26	145.38	129.84	137.62	145.49	99.50	84.50
Italy (76)	87.73	−1.3	78.37	85.10	2.15	88.85	79.35	86.13	112.11	84.22	101.32
Japan (458)	146.71	+0.6	131.07	131.41	0.52	145.81	130.23	130.65	161.28	100.00	98.44
Malaysia (36)	178.87	+2.5	159.80	172.80	2.06	174.56	155.90	168.64	193.64	98.24	92.51
Mexico (14)	390.63	+4.9	348.99	645.13	0.46	372.29	332.50	613.00	390.63	99.72	57.21
Netherland (37)	125.00	+0.8	111.67	115.10	3.90	124.00	110.75	114.21	131.41	99.65	100.00
New Zealand (24)	132.71	+0.4	118.56	113.30	2.65	132.24	118.11	112.19	132.71	83.93	69.77
Norway (24)	179.04	+0.1	159.96	159.97	1.70	178.95	159.82	159.94	179.04	100.00	106.54
Singapore (27)	171.55	+2.0	153.26	165.03	1.48	168.13	150.16	161.93	174.28	99.29	90.92
South Africa (61)	187.46	−0.1	167.48	135.49	3.07	187.66	167.60	136.76	198.09	100.00	100.17
Spain (43)	161.12	+0.8	143.94	146.84	2.69	159.82	142.74	145.72	161.19	100.00	99.18
Sweden (33)	131.45	+0.3	117.43	123.03	1.88	131.11	117.10	122.72	131.45	90.85	95.09
Switzerland (53)	107.53	−0.9	96.07	98.93	1.68	108.52	96.92	99.91	110.00	92.01	94.17
United Kingdom (333)	154.74	−0.4	138.25	138.25	3.22	155.30	138.70	138.70	162.87	99.65	100.43
USA (588)	128.07	−1.0	114.42	128.07	2.87	129.42	115.59	129.42	137.42	100.00	103.00
Europe (929)	127.26	−0.2	113.69	116.57	2.82	127.56	113.92	116.82	128.35	99.78	97.97
Pacific Basin (683)	147.54	+0.6	131.81	132.65	0.67	146.71	131.03	131.97	158.77	100.00	96.94
Euro−Pacific (1612)	139.50	+0.3	124.62	126.24	1.45	139.12	124.25	125.93	143.65	100.00	97.35
North America (717)	128.44	−1.1	114.74	128.11	2.84	129.81	115.94	129.47	137.55	100.00	102.92
Europe Ex. UK (596)	110.19	−0.1	98.44	103.07	2.48	110.33	98.54	103.20	111.97	98.02	96.51
Pacific Ex. Japan (225)	157.81	+0.0	140.99	148.13	2.38	157.85	140.99	148.53	157.85	99.92	78.23
World Ex. US (1816)	140.01	+0.2	125.08	126.72	1.50	139.70	124.77	126.49	143.38	100.00	97.47
World Ex. UK (2071)	133.45	−0.2	119.22	126.34	1.86	133.76	119.46	126.67	138.82	100.00	99.55
World Ex. So. Af. (2343)	135.00	−0.2	120.61	127.34	1.99	135.34	120.87	127.68	139.47	100.00	99.61
World Ex. Japan (1946)	129.91	−0.7	116.06	125.43	2.81	130.84	116.86	126.35	134.03	100.00	100.18
The World Index (2404)	135.34	−0.2	120.91	127.44	2.00	135.67	121.17	127.78	139.73	100.00	99.61

Base values: Dec 31, 1986 = 100

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$480	61	11	27	22	10	29.50	$457
GOLD C	$500	—	—	15	14.50	820	20	"
GOLD P	$370	470	0.50	—	—	—	—	"
GOLD P	$390	30	0.80	—	—	—	—	"
GOLD P	$400	70	1.50	—	—	—	—	"
GOLD P	$420	110	2.90	10	4.50B	30	8	"
GOLD P	$440	12	6	10	8.90	50	14	"
		Sep 87		Dec 87		Mar 88		
SILVER C	$850	—	—	15	40	—	—	$747
		Dec 87		Mar 88		June 88		
£/Fl. C	Fl.330	—	—	20	5.30	—	—	Fl.335.14
		Sept. 87		Oct. 87		Nov. 87		
$/Fl. C	Fl.200	12	2.60	69	3.60	—	—	Fl.201.77
$/Fl. C	Fl.205	20	0.60	13	1.50	92	2.30	"
$/Fl. C	Fl.210	—	—	5	0.50	—	—	"
$/Fl. P	Fl.200	655	1.10B	96	2	—	—	"
$/Fl. P	Fl.205	233	3.70	154	5	8	6.40	"
$/Fl. P	Fl.210	50	8.50	50	9	—	—	"
$/Fl. P	Fl.225	40	23.90	—	—	—	—	"
		Dec. 87		Mar. 88		June 88		
$/Fl. C	Fl.190	—	—	20	12.30	—	—	Fl.201.77
$/Fl. C	Fl.200	8	5.20	10	6.10	199	7	"
$/Fl. C	Fl.205	50	3	4	4	4	4.80	"
$/Fl. C	Fl.210	14	1.50	5	2.70	3	3.50	"
$/Fl. C	Fl.215	35	0.80B	—	—	5	2.50	"
$/Fl. P	Fl.195	20	2.10	—	—	—	—	"
$/Fl. P	Fl.200	2122	4.50	10	6.20	—	—	"
$/Fl. P	Fl.225	40	24.50	—	—	—	—	"
		Oct. 87		Jan. 88		Apr. 88		
ABN C	Fl.50	649	1.20	617	3.50	110	4.70	Fl.48.50
ABN P	Fl.48	287	1.20	207	2.30	405	2.70	"
AEGON C	Fl.95	202	0.80	78	3.20A	—	—	Fl.85.80
AEGON P	Fl.85	50	2.50	470	3.50	—	—	"
AHOLD C	Fl.110	118	1	59	3.40	—	—	Fl.100
AHOLD P	Fl.100	150	3.50	8	4.70	—	—	"
AHOLD C	Fl.104.60	44	2.50	20	5.30	—	—	"
AHOLD P	Fl.95.50	24	1.60	—	—	—	—	"
AKZO C	Fl.170	1064	5.40	560	10.60	127	14.50	Fl.167.30
AKZO P	Fl.160	427	2.50	71	5.500	37	7	"
AMEV C	Fl.70	54	0.30	—	—	—	—	Fl.60
AMEV P	Fl.65	149	5.50	119	6.30	—	—	"
AMRO C	Fl.85	175	2.90	100	6.10	2	7.80	Fl.85
AMRO P	Fl.80	18	0.80	64	2.10	20	3	"
ELSEVIER C	Fl.60	449	6.50	10	9.50	—	—	Fl.64
ELSEVIER P	Fl.60	36	1.70	54	3.10	2	5	"
GIST-BROC.C	Fl.45	186	3.20	3	5.20	—	—	Fl.46.90
GIST-BROC. P	Fl.50	299	3.50	166	5	—	—	"
HEINEKEN P	Fl.180	512	6.70A	48	10.30	—	—	Fl.176.50
HOOGOVENS C	Fl.50	161	1.30	24	3.50	6	5.30	Fl.46.90
HOOGOVENS P	Fl.50	142	3.70	5	5.30B	12	6.50	"
KLM C	Fl.55	282	1	505	3	16	4.50	Fl.51.30
KLM P	Fl.50	151	1.30	278	2.80	44	3.80	"
NEDLLOYD C	Fl.180	170	10	2	17.20B	—	—	Fl.180
NEDLLOYD P	Fl.150	181	1.20	2	5	—	—	"
NAT.NED. C	Fl.75	245	2	542	4.80	9	7	Fl.73.60
NAT NED P	Fl.75	16	2.60	135	4.30B	—	—	"
PHILIPS C	Fl.55	408	0.80	917	2.40A	82	3.40	Fl.51.20
PHILIPS P	Fl.50	242	1	417	2.40	3	3.50	"
ROYAL DUTCH C	Fl.270	482	3.60	423	10	153	17	Fl.259.80
ROYAL DUTCH P	Fl.260	588	8.10	290	12	30	14.50	"
ROBECO C	Fl.105	—	—	106	8.50	—	—	Fl.108.40
UNILEVER C	Fl.136	631	5.40	196	10.30	—	—	Fl.134.50
UNILEVER P	Fl.136	409	5.20	121	7.70	—	—	"

TOTAL VOLUME IN CONTRACTS: 77,161

A=Ask B=Bid C=Call P=Put

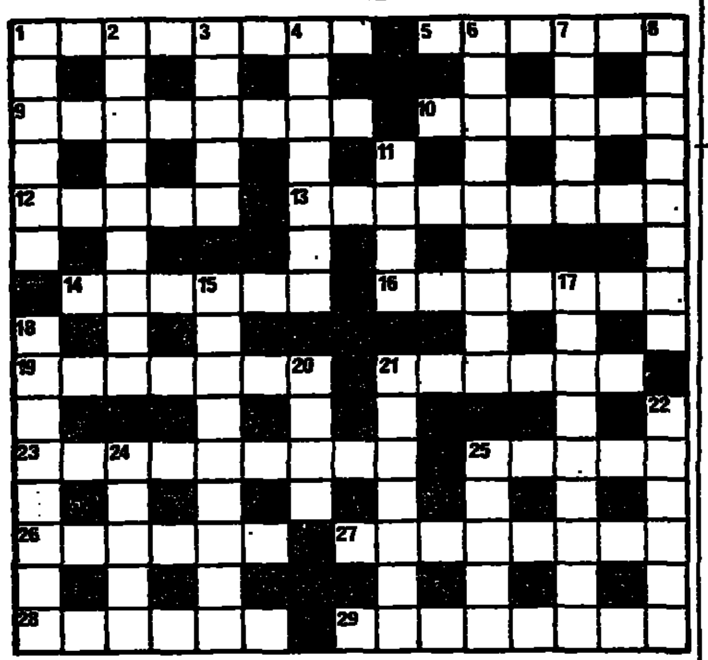
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Aurro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'r'l TstC'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambro Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
Cl. Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Savewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 10.5%.

FT CROSSWORD PUZZLE No. 6,425

DANTE



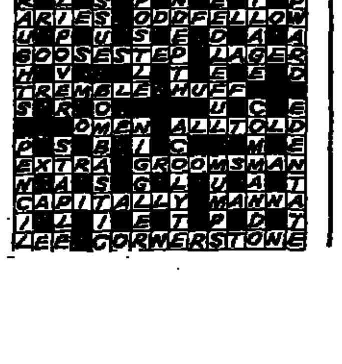
ACROSS

1 Scholarly, competent performer gets discovered (8)
5 People of spirit (6)
9 Pushed the boat out in Paris? (4, 4)
10 Make great effort in race (6)
12 It may be held either way (5)
13 Not hard currency (4, 5)
14 Touch down in icy conditions? (6)
16 Roman general with a hold on father (7)
19 Speed at which Russian fighters go from one country to another? (7)
21 Very little time (6)
23 A case of building-up ready for the maiden flight (9)
25 Chase around, wanting treatment? (5)
26 I shall shortly be engulfed by the bow wave (6)
27 Way-out supporter (4-4)
28 Complete set of printed slips (6)
29 Is said to be ordered in advance (8)

DOWN

1 Game in which you have to leap about (6)
2 Going close to breaking the law (9)
3 Round-the-world trip (5)
4 Where to see women in retreat (7)
6 A craft based on fundamental duplicity (9)
7 Aim to exercise (5)
8 One who lives nearby and does odd jobs? (5, 3)
11 Continental motoring organisation is held up (4)
15 Joy ride? (9)
17 Repairing a quilt? (9)
18 Vehicle in the distance is not hostile (8)
20 After the salmon she gets food poisoning (4)
21 It's wrong and it's faulty in manufacture (7)
22 Could be it is an indigo compound (6)
24 Not a subject needed by most school children (5)
25 Completed a meal—while flying? (3, 2)

Solution to Puzzle No. 6,424



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2860

American Growth	111.6	118.0	-0.2	1.31
(Accum Units)	116.9	123.6	-0.2	1.31
American Income	51.5	54.4	-0.2	4.05
(Accum Units)	56.1	59.3	-0.2	4.05
American Sm Cos Fd	51.4	54.3	+0.6	0.47
(Accum Units)	51.4	54.3	+0.6	0.47
British Blue-Chip Fund	52.8	55.8	+0.6	2.26
(Accum Units)	52.8	55.8	+0.6	2.26
European Growth	157.4	166.5xd	-1.3	1.47
(Accum Units)	164.4	173.9xd	-1.3	1.47
European Income	95.0	99.9	-0.6	3.34
(Accum Units)	99.4	94.5	-0.6	3.34
Exempt	358.3	367.4xd	+0.93	2.36
(Accum Units)	566.6	581.1xd	+14.8	2.36
General	383.4	405.7xd	+1.5	1.25
(Accum Units)	640.9	678.1xd	+2.6	1.25
Gilt	86.8	87.2	+0.2	7.71
(Accum Units)	103.2	103.7	+0.2	7.71
Global Fund	51.8	54.8	+0.3	0.66
(Accum Units)	51.8	54.8	+0.3	0.66
High Income Fund	53.9	57.0xd	+0.5	4.77
(Accum Units)	94.8	57.9xd	+0.5	4.77
High Interest Fund	43.1	45.6		9.85
(Accum Units)	43.5	56.0	+0.6	9.85
Income	127.6	135.0xd	+0.4	2.63
(Accum Units)	147.0	155.9xd	+0.5	2.63
International	308.1	326.0	-0.1	1.30
(Accum Units)	385.5	407.9	-0.1	1.30
Japan	206.6	218.6	+1.4	0.56
(Accum Units)	212.1	224.4	+1.5	0.56
Pacific Fund	58.5	61.8	+0.1	0.10
(Accum Units)	58.5	61.8	+0.1	0.10
Recovery	326.1	345.0	+2.7	1.40
(Accum Units)	354.5	375.1	+2.9	1.40
UK Smaller Co's Fund	56.1	59.3xd	-0.1	1.66
(Accum Units)	56.6	59.8xd	-0.1	1.66

Merlin Fund Mngmnt Ltd
30 St James St, London SW1A 1HB 01-925 1277

Merlin Sept I	627.5	635.5	—	1.08

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	62.4	66.3xd	—	4.52

Provident Mutual Unit Trust Managers Ltd.
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

PM Equity Growth	121.2	129.0	+0.7	1.00
PM Income and Growth	106.7	113.6	+0.4	2.91
PM N American Growth	57.2	60.8		0.34
PM European Growth	52.4	55.7	-0.8	0.55
PM Japan Growth	72.3	76.9		0.36
PM Overseas Growth	56.4	60.0	-0.3	0.45

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn LinkLine 0800 010345

Holborn Comm Tst	84.4	90.2xd	+0.4	0.95
Holborn Equity Income	73.7	77.9xd	+0.2	3.50
Holborn Equity Tst	601.2	638.1	+3.4	2.12
Holborn European Tst	125.1	132.3	-1.3	0.65
Holborn Gilt Tst	207.4	216.3	+0.3	2.20
Holborn High Inc Tst	89.7	94.9xd	+0.3	4.55
Holborn Intl Grth Tst	124.5	131.7	+0.2	0.66
Holborn Intl Sm Cos	—	0.50	—	0.05
Holborn Japanese Tst	137.8	145.8xd	+1.1	0.04
Holborn N. Amer Tst	94.7	100.2	—	0.48
Holborn Sm Cos Tst	81.6	86.3	+0.3	1.35
Holborn Spec Sits Tst	107.0	113.2	+0.1	1.29
Holborn UK Growth Tst	119.9	125.9xd	+0.7	1.49

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	675.7	725.1	—	1.37
Quadrant Income	335.0	354.5	—	3.76
Quadrant Intl Fund	457.6	484.3	—	1.09
Quadrant Spec. Sits	468.0	495.3	—	1.33

Reliance Unit Mgrs. Ltd
Reliance House, Tonbridge Wells, Kent 0892 510033

British Life	247.8	263.5	+0.7	2.29
Reliance Unit Tst (Inc)	172.9	183.8	+0.6	1.43
Reliance Ut Tst (Acc)	232.6	247.4	+0.8	1.43

Rensburg Fund Managers
Silkhouse Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	50.6	53.8	-0.3	1.5

N.M. Rothschild Fund Mgmt

[illegible]

INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co (UK)
St George's Way, Stevenage 0438 356101

Managed	451.0	474.7		—
Property	282.7	297.6		—
Equity	575.3	605.6		—
Gilt Edged	350.6	369.0		—
Deposit	205.9	216.7		—
Investment	245.1	257.4		—
International	439.6	462.9		—

Pension Fund Prices

Managed Init.	328.5		—
Do Accum	405.3		—
Property Init.	246.2		—
Do Accum	302.7		—
Equity Init.	431.6		—
Do Accum	529.9		—
Gilt-Edged Init.	221.5		—
Do Accum.	272.4		—
Guaranteed Init.	158.6		—
Do Accum	195.0		—
International Init.	539.4		—
Do. Accum.	662.9		—
Index Lk. Gilt Init.	135.3		—
Do Accum.	166.4		—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	318.8	+0.1	—
Property Pens.	427.4	+0.3	—
Equity	198.5	+0.7	—
Equity Pens.	900.5	+4.2	—
Money Market	296.8	+0.0	—
Money Mkt. Pens.	534.0	-0.1	—
Deposit	238.8	+0.1	—
Deposit Pens.	382.7	+0.1	—
Managed	298.5	+0.2	—
Managed Pens.	576.8	+0.4	—
Intl. Equity	355.8	-1.5	—
Do Pens.	577.6	-2.8	—
Intl. Managed	326.4	-0.9	—
Do Pens.	486.9	-1.7	—
North American	134.3	-0.3	—
Do. Pens.	153.9	-0.6	—
Far East	295.3	-6.3	—
Do. Pens.	431.4	-6.6	—
Intl. Currency	168.5	+0.0	—
Do. Pens.	217.0	+0.1	—

[illegible]

National Provident Inst.—Contd.

Far East Initial	491.9	517.8	+2.7	—
Far East	589.4	620.5	+3.2	—
Prop. Initial	143.9	151.5	+0.5	—
Prop.	172.6	181.7	+0.5	—
Fixed Int. Initial	181.6	191.2	+0.5	—
Fixed Int.	218.2	229.7	+0.6	—
Indexed Gilt Initial	100.2	105.5	-0.2	—
Indexed Gilt	119.3	125.6	-0.2	—
Deposit Initial	135.4	142.6		—
Deposit	164.5	173.2	+0.01	—

NPI Pensions Management Ltd

Managed Fund	966.1	983.4		—

Prices Sept. 1. Next dealing Oct. 1.

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 3JS 0603 683986

NUAM Funds

Managed Fund	57.6	60.7	+0.2	—
Stock Market Mngd Fund	59.5	62.7	+0.2	—
Equity Fund	64.5	67.9	+0.3	—
International Fund	55.5	58.5		—
European Fund	59.2	62.4	-0.2	—
North American Fund	50.7	53.4	-0.1	—
Pacific Fund	65.4	68.9	+0.9	—
Property Fund	52.1	54.9		—
Fixed Interest Funds	48.1	50.7		—
Index linked Sec Fund	45.3	47.7	-0.1	—
Deposit Fund	51.2	53.9		—

NUAM Retirement Plans

Mixed Fund	61.5	64.8	-0.1	—
UK Ordinary Share	73.7	77.6	+0.2	—
International Fund	57.2	60.5	-0.7	—
Property Fund	52.1	54.9		—
Fixed Interest Fund	49.9	52.6	+0.1	—
Index Linked Sec Fund	45.8	48.3	-0.1	—
Deposit Fund	53.2	56.1		—

NUAM (NF)

Managed Fund	791.8	833.5	+2.4	—
Equity Fund	1722.0	1812.7	+10.0	—
Property Fund	324.4	341.5		—
Fixed Interest Fund	354.5	373.2	-0.1	—
Deposit Fund	209.1	220.2	+0.2	—
International Fund	144.1	151.7		—
Index Linked Sec Fund	45.3	47.7	-0.1	—

Norwich Union Life Insurance Soc.

[illegible]

Provident Mutual Life Assc.—Contd.

Pension Funds

[illegible]

Provincial Life Assurance Co Ltd

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

MANAGEMENT SERVICES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¾	100⅛	Treas. 12pc 1987	100⅛	....	11.98	9.99
99⅝	97⅛	Treas 7¼pc 1985-88‡‡	99⅜	....	7.30	9.19
102¼	99⅛	Exch 10½pc '88	100¼	+⅛	10.49	10.21
101⅞	98⅛	Treas 9¾pc Cv '88	99⅞	....	9.79	10.24
97⅜	93⅞	Transport 3pc '78-88	96⅜	....	3.10	7.18
101⅝	96⅛	Treas. 9½pc '88	99⅝	+⅛	9.60	10.40
105⅝	101⅛	Treas 11½pc 1989	101⅞	+⅛	11.34	10.35
102⅛	97⅝	Treas 9½pc Cnv 1989	98⅞	+⅛	9.62	10.43
94⅝	89¾	Treas 3pc 1989	93¼	+⅛	3.22	7.37
104⅝	99⅝	Treas 10½pc 1989	100⅛	+⅛	10.48	10.32
103⅛	98¼	Exch 10pc 1989	99⅜	....	10.07	10.36
105¼	100⅛	Exch 11pc 1989	101¼	+⅛	10.87	10.34
95⅝	89⅞	Treas 5pc 1986-89	93⅛	+⅛	5.38	8.71
108⅛	99⅝	Exch 10¼pcCv '89	100¼	+⅛	10.22	10.07
111⅛	105	Treas 13pc 1990‡‡	105⅞	-⅛	12.31	10.19
106¼	100⅛	Exch 11pc 1990‡‡	101⅞	-⅛	10.84	10.26
110⅛	104¼	Exch. 12½pc 1990	104⅞	-⅛	11.93	10.31
91⅝	84½	Treas. 3pc 1990	88¼	+⅛	3.39	7.84
100⅜	93⅝	Treas 8¼pc 1987-90‡‡	95¼	-⅛	8.62	10.05
105	97½	Treas. 10pcCv 1990	99⅛	....	10.10	10.35
89⅞	81⅛	Exch 2½pc 1990	86	+⅛	2.91	7.46
110⅝	102⅝	Treas 11¾pc 1991	103⅝	+⅛	11.32	10.32
95⅛	87¼	Funding 5¾pc '87-91‡‡	89⅞	+⅛	6.44	9.34
89⅛	80¼	Treas. 3pc 1991	84⅞	....	3.54	7.87
110⅝	99	Treas 10pc Cv '91 ‡‡	100¼	-⅛	9.99	9.96
109⅝	101¾	Exch. 11pc 1991	102¼	....	10.76	10.31
96⅛	91⅝	Treas. 8pc 1991●	92⅞	-⅛		
116⅛	107¾	Treas 12¾pc 1992‡‡	108¼	-⅛	11.77	10.30
106⅛	97⅝	Treas 10pc 1992	99⅛	-⅛	10.10	10.26
99⅝	90⅝	Treas. 8pc 1992 ‡‡	92⅛	-⅛	8.70	10.45
108⅝	99¼	Treas 10½pc Cv 1992‡‡	100⅞	-⅛	10.44	10.31
85¾	79½	Treas. 3pc 1992	79⅞	+⅛	3.74	8.09

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

FOREIGN BONDS & RAILS

AMERICANS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1987 High	Low	Stock	Price	+ or -	Div Net	C'vr	Gr's	P/E
[illegible]								
151	47	Corton Beach 10p	123	-4	0.4	ϕ	0.4	ϕ
200	150	Crown Eyeglass 5p	175	......	—	—	—	—
*62	18	Eglinton Oil Ir.5p	25	-1	—	—	—	—
41	17	Do. Warrants	18	......	—	—	—	—
186	101	Far East Res. 10p	128	-3	—	—	—	—
88	55	Gardner (J.) 5p	88	......	R1.25	2.3	1.9	30.5
35	29	Hononbilt 5p	35	+3	—	—	—	29.4
87	68	Lynx Tech. 5p	70	......	b—	—	—	8.0
82	17	Publishing Hldgs.5p	67	-2	—	—	—	38.8
87	45½	Theme Holdings	70	-2	1.0	1.9	2.0	37.5
159	140	UPL Group 10p	159	......	L2.41	2.8	2.1	—
140	111	Unit Group	140xd	......	R4.6	2.5	4.5	10.0

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ‡ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ◙ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	95	......
Craig & Rose £1	648	+10
Finlay Pkg. 5p	112	+1
Holt (Jos) 25p	1005	......
IoM Stm. £1	173	......
IRISH		
Fund 11¼% 1988	£100¼	......
Nat. 9¼% 84/89	£97½	......
Fin. 13% 97/02	£103¾xd	......
Arnotts	395	+15
CPI Hldgs	98	......
Carrol Inds.	195	......
Dublin Gas	30	......
Hall (R. & H.)	135	+5
Heiton Hldgs.	58xd	-20
Irish Ropes	210	......
Unidare	390xd	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	19
BAT	62
BOC Grp.	50
BSR	17
BTR	36
Babcock	32
Barclays	52
Beecham	52
Blue Circle	50
Boots	30
Bowaters	50
Brit Aerospace	50
Brit. Telecom	28
Burton Ord	32
Cadburys	25
Charter Cons.	45
Comm Union	34
Courtaulds	45
FNFC	32
Gen Accident	95
GEC	22
Glaxo	280
Grand Met	50
GUS 'A'	125
Guardian	95
GKN	38
Hanson Tst.	17
Hawker Sidd	58
ICI	125
Jaguar	52
Ladbroke	45
Legal & Gen	32
Lex Service	45
Lloyds Bank	55
Lucas Inds	75
Marks & Spencer	22
Midland Bk	45
Morgan Grenfell	55
NEI	13
Nat West Bk	65
P & O Dfd	65
Plessey	20
Polly Peck	34
Racal Elect	32
RHM	35
Rank Org Ord	70
Reed Intnl	50
STC	30
Sears	16
TI	37
TSB	12
Tesco	18
Thorn EMI	65
Trust Houses	25
Turner Newall	26
Unilever	62
Vickers	20
Wellcome	42
Property	
Brit Land	30
Land Securities	50
MEPC	48
Peachey	40
Oils	
Brit Petroleum	32
Britoil	30
Burmah Oil	52
Charterhall	10
Premier	11
Shell	125
Tricentrol	11
Ultramar	26
Mines	
Cons Gold	125
Lonrho	28
Rio T Zinc	100

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Aug 24	Sept 10	Sept 11	Sept 21
Sept 14	Sept 24	Sept 25	Oct 5
Sept 28	Oct 8	Oct 9	Oct 19

* New time dealings may take place from 9.00 am two business days earlier.

Equity market advance reversed late by sharp setback in early Wall Street trade

The better tone established by UK equities since the beginning of the current trading Account showed little sign of faltering until Wall Street resumed weakly from the Labor Day holiday yesterday. Fresh futures-related sell programmes knocked the Dow Jones average down over 40 points shortly after the opening and leading shares in London then beat a retreat. The FT-SE 100 share index lost a gain, which at best was 11.7, to close 8.6 down on the day at 2275.0.

Awaiting the US market's reaction to Friday's discount rate hike—described by Chase Manhattan Securities as little more than a token gesture in recognition of the growing inflationary pressures associated with recent chronic currency weakness, and the weekend's central bankers' solidarity on the dollar, the scene was one of quiet confidence.

Broking sources reported a slight improvement in domestic retail interest, although volume overall was still affected by seasonal considerations and by a tendency to reserve funds for future flotations, mainly the large British Petroleum issue.

Company trading statement dominated and Bowater surprised with a cash call for £89m net, via a rights issue to shareholders. The news overshadowed the group's interim results. British Aerospace later reported first-half profits much in line with predictions, analysts having downgraded their estimates over the past few months. Neither announcement influenced market sentiment generally.

Cable & Wireless attracted a big trade and more than 19m shares changed hands. Dealers experienced a major two-way pull in the shares with London houses said to be large sellers of the stock—Phillips and Drew recently labelled C & W as sell stock of the month. But Far Eastern sources were substantial buyers and they gained the upper hand as the shares settled a net 5½ higher at 450p.

One view being circulated was that the far eastern buyer, from either Hong Kong or Japan, had been accumulating the shares for around the last two weeks and had built up a stake approaching the 5 per cent mark. But bid rumours were being discounted—the Government holds a golden share in C & W and there is a restriction on foreign shareholdings of over 15 per cent.

Government bonds also experienced an early flush, tracking the ticks in Gilt futures, before reacting on currency influences. Concerted action by the European central banks, including the Bank of England, selling marks for dollars was not taken too seriously in currency markets and sterling regained most of a midday fall.

Prospective investors in Gilt-edged were deterred, however, and the longs settled slightly easier, after having been ¼ or so higher.

Lucas Industries provided one of the session's brighter features and rose 8 to 730p, after 734p, as investors were encouraged by persistent talk that the group was set to dispose of its loss-making starter and alternator business. Magnetti Marelli—a subsidiary of Fiat of Italy—were mentioned as a likely purchaser, although a spokesman for Lucas stated that there was "no substance" in the sale reports.

It is no secret that Lucas is prepared to listen to offers for some of its operations and talks to this end were "ongoing" according to the group's spokesman.

Poor interim results from British Aerospace appeared to have been discounted following a recent downgrading of profits forecasts from a number of analysts. The BAe share price advanced to 520p, before settling only a few pence higher on balance at 509p helped by the view taken in some quarters that the worst may now be over for the group. Some 7.5m shares changed hands.

Dunhill, the luxury consumer products group, dipped to 223p before closing only 4 off on balance at 230p as BZW issued "take profit advice." The securities house believes that Rothmans International—currently sitting on just over 50 per cent of the Dunhill equity—is unlikely to buy in the minority holding "because of its recently reaffirmed philosophy of having outside shareholders in affiliates."

Sentiment was also affected by consideration of the resignation of managing director Tony Greener who is to join Guinness from the start of October as MD of the United Distillers subsidiary.

Merchant bank Hill Samuel fell dramatically and closed a net 20 off at 662p following news that the two heads of the bank's Corporate Finance Department had been dismissed for "conducting unauthorised discussions with a third party over the future of their department."

Hill Samuel were recently involved in takeover talks with Union Bank of Switzerland which were subsequently abandoned by UBS who said they were only interested in the marchant banking and wholesale part of Hill Samuel's investment management side.

Two Australian groups control sizeable stakes in Hill Samuel, Larry Adler's FAI with a near-15 per cent stake and Kerry Packer's Consolidated Press with a near-13 per cent stake.

The big four banks included an outstanding feature in Barclays which moved up 14 to 568p, still helped by the recent buy recommendation from securities house BZW. Lloyds touched 360p before closing a net 8 firmer at 358p but NatWest drifted back on lack of interest to close 4 cheaper at 719p. Midland were much quieter after the excitement caused by the disclosure of Hanson Trust's 5.8 per cent stake and reports that another block of 7.4m shares had been passed on to a possible predator along with the rump of the rights issue. Midland dipped 5 to 500p with turnover running at 3.9m shares. Royal Bank of Scotland burst into prominence and spurted 15 to 399p, after 403p, with a number of substantial trades contributing to a total turnover of 2.2m shares; Scrimgeour Vickers were said to be persistent buyers of the stock which responded to vague takeover rumours. Merchant banks showed Hambros finally 7 higher at 361p, after 365p. Kleinwort Benson, still unsettled by talk that the interim figures scheduled for September 21 could be accompanied by a £100m-plus rights issue, lost 11 to 551p. Life assurances showed Prudential steady at £10¼ ahead of today's interim figures; BZW are going for £100m pre-tax and Grenwell for £93.8m, compared with last time's £64.7m. Composites provided firm features in Sun Alliance which raced up ⅞ to £10¾ still boosted by the recent excellent figures. A stock shortage lifted Guardian Royal ½ to £10⅛. In brokers persistent selling by Savory Milln left Willis Faber 5 down at 373p and Stewart Wrightson 14 off at 559p.

Leading Breweries made further modest progress following another subdued trade. Bass, still rated at the most attractive stock in the sector by many followers, put on 5 more to 979p. Dealers reported similarly lacklustre conditions among regionals, although sporadic interest was shown for J. A. Devenish which improved 10 to 329p as Greenwell Montagu, among others, issued a "buy" recommendation following directors' optimism expressed at a meeting with analysts.

Costain revealed interim profits at the lower end of market estimates, but the share price, underpinned by an optimistic statement on future prospects and persisting bid rumours, was only 3 down on balance at 350p. George Wimpey, a good market on Monday on suggestions that a property deal may accompany today's interim results, eased 6½ to 254½p. John Laing attracted buyers ahead of tomorrow's half-year figures and rose 7 to 378p, while Bryant Holdings, also reporting soon, added 3 to 136p. Brick makers Ibstock Johnsen surprised the market with annual profits some £3m above estimates and the price touched 198p before profit-taking left the close just 3 dearer on balance at 189p. Steetley attracted support in the wake of the Ibstock results and rose 15 to 361p.

Among Chemicals, Laporte continued to edge higher ahead of interim figures due on September 17 and closed 2 better at 551p; Laporte announced a US acquisition yesterday, in the form of Vining Industries of Georgia, for a consideration of $33m.

British Telecom dipped 4½ to 269p ahead of the first quarter figures—BZW and Warburgs are going for pre-tax profits of £550m and Wood Mackenzie for £560m against a comparable figure of £502m—but brokers are expecting considerable criticism of Telecom at the agm also taking place today.

Richardson Westgarth featured a rise of 7 at 91p in the wake of news that Britania Security Group had increased its stake in the company from 14.9 per cent to 19.8 per cent. IMI, down 9 at 263p, ran into profit-taking despite announcing good interim figures; Buyers continued to support APV Baker ahead of next week's half-year statement and the share price advanced 10 more to 789p.

Food Retailers made an irregular showing, J. Sainsbury attracted support on talk of a broker's recommendation and touched 273p prior to closing 6 higher at 270p, but Tesco turned easier on profit-taking and slipped 4 to 186p. Barker and Dobson gained 5 to 244p, after 252p, following excellent half-year figures, but Argyll drifted off to close 7 lower at 420p.

Savoy Hotel revealed good interim figures plus an optimistic statement and rose 5 to 635p.

International stocks finished the day on a quietly dull note in the wake of the early setback on Wall Street.

Disappointing interim figures accompanied by an £89.3m rights issue and acquisition news prompted a reaction of 23 to 528p in Bowater Industries. Abbeycrest, in contrast, continued to respond to the good half-yearly results with a further improvement of 5 at 185p, but trading news failed to inspire Expamet which gave up 8 to 242p. Williams Holding settled a few pence better at 964p on the proposed two-for-one scrip issue, while ASD, 330p, and Interlink Express, 530p, both reflecting trading statement, rose 40 and 20 respectively. London International, overlooked of late, met with buying interest and put on 8 to 322p. James Wilkes, awaiting today's interim figures, rose 8 to 231p. Appledore, currently in receipt of a bid from Highland Participants retreated 20 to 365p in sympathy with the latter.

William Collins regained 15 to 918p and the A shares 5 to 733p helped by a "buy" and "take up rights" recommendation from Kleinwort Grievson in the wake of the proposed acquisition of a 50 per cent holding in Harper Row of the US. Bid hopes continued to boost Fergusen Industrial, up 6 more at 343p, but Olives Paper fell 23 further to 180p pending developments in the Melton Medes situation.

Indications of lower advices on Wall Street took the shine off leading Properties which, having made further progress early in the day, eased back to close lower in places. Land Securities, finished unchanged at 578p, after 583p, but MEPC settled 12 lower at 544p following the company's increased offer for Oldham Estates. Great Portland Estates touched 340p prior to closing unchanged on balance at 331p, while Hammerson A, having touched 705p, closed just 15 higher at 690p. Elsewhere, estate agents Hambro Countrywide dipped 11 to 160p following details of an agreement whereby Guardian Royal Exchange Assurance and the company have established a new £40m life assurance company; a partial offer for Hambro Countrywide shares is being made by a group of institutional investors for up to 50 per cent of each shareholder's holding at 150p per shares. Lynton gained 20 to 405p on news that Randsworth Trust had increased its stake to 9.14 per cent, while Merivale More rose 20 to 410p ahead of next Monday's annual results. Control Securities were a volatile market and moved between extremes of 106p and 94p prior to closing 6 lower on balance at 98p. Peachey revived strongly and rose 14 to 440p; dealers suggested that the shares had been overlooked in the recent upsurge.

P & O Deferred featured late trading and fell to 678p at one stage before settling 12 off on balance at 684p as rumours swept the market that the group would launch a sizeable rights issue with today's half-time figures.

Another easier trend in crude oil prices left oil shares with widespread minor falls on balance. Enterprise and LASMO featured following a Press report suggesting that the two companies had held merger discussions. Both companies' shares opened sharply lower—as one market maker took a bearish view of the report—but quickly picked up before closing a shade off the day's best levels. Enterprise, after opening at 305p, moved up to 314p before closing at 311p, a net gain of 1 while LASMO were finally 3 higher at 375p, after 377p.

Traded Options

Despite another subdued session in the underlying share market, business in traded options improved sharply from the rather lacklustre levels experienced on Monday. Dealers reported lively demand throughout the list which resulted in 49,717 contracts transacted—30,280 calls and 19,437 puts. Rolls Royce were particularly active ahead of tomorrow's half-timer with 2,804 calls—1,118 of which were done in the January 130 series—and 4,170 puts—2,310 in the January 110's—traded. Sears also returned to favour and attracted 4,572 calls, the September and December 160's contributing 2,274 and 1,840 contracts respectively. Hanson Trust attracted 2,455 calls, the lion's share of which were struck in the December 200 and March 180 series. Put activity was dominated by British Gas which attracted 3,657 trades, most of which were done in the October 145's.

Traditional Options

- First dealings Sept 1
- Last dealings Sept 18
- Last declaration Dec 3
- For Settlement Dec 14

For rate indications see end of London Share Service

Calls were taken out in Smith and Nephew, Turner and Newall, Control Securities, Moorgate Mercantile, Paul Michael Leisure, TSB, Polly Peck, Plessey, Reed International, Associated British Engineering, New England Properties, Platignum, Neepsend, Blacks Leisure, Norfolk Capital, Tozer Kemsley, Wheway and Helene of London. A put was arranged in Control Securities, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	Sep. 8	Sep. 7	Sep. 4	Sep. 3	Sep. 2	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.86	85.82	85.72	86.00	85.66	87.76	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.60	92.35	92.18	92.20	92.24	94.25	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1775.2	1788.5	1782.1	1774.5	1763.2	1323.7	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	454.2	†458.5	451.2	452.8	444.9	315.4	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.33	3.26	3.27	3.26	3.28	4.17				
Earnings Yld.%(full)	8.22	8.05	8.07	8.06	8.06	9.60				
P/E Ratio (net) (*)	14.94	15.25	15.21	15.23	15.25	12.79				
SEAQ Bargains (5 pm)	33,427	31,533	34,432	33,061	29,106	—				
Equity Turnover (£m)	—	804.67	1,057.39	933.01	1320.40	422.96				
Equity Bargains	—	35,792	35,730	31,443	35,030	23,225				
Shares Traded (ml)	—	—	506.5	445.5	—	194.1				

S.E. ACTIVITY

Indices	Sep. 7	Sep. 3
Gilt Edged Bargains	93.6	110.2
Equity Bargains	231.9	231.5
Equity Value	1626.4	2137.3
5-Day Average		
Gilt Edged Bargains	108.9	110.0
Equity Bargains	226.8	221.1
Equity Value	2094.7	2074.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1792.3	1791.1	1793.1	1791.0	1791.4	1790.5	1785.3	1779.9

Day's High 1794.8 Day's Low 1775.2. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=14.69. † Corrected figure.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (66)

FOREIGN BONDS (1), AMERICANS (1), BANKS (2), BREWERS (1), BUILDINGS (1), CHEMICALS (2), STORES (2), ELECTRICALS (3), ENGINEERING (5), FOODS (1), HOTELS (1), INDUSTRIALS (19), INSURANCE (1), LEISURE (2), MOTORS (1), NEWSPAPERS (1), PAPERS (3), PROPERTY (1), SHIPPING (1), SOUTH AFRICANS (1), TRUSTS (9), OILS (1), MINES (6), THIRD MARKET (2).

NEW LOWS (6)

STORES (1), Sock Shop. ELECTRICALS (1), Admiral Computing. LEISURE (1), Airtours. TRUSTS (1), Liberty All-Star. MINES (2), Oakbridge, Musto Expln.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,400	196½	−1
Allied Lyons	1,000	419	−2
Amstrad	1,100	175	−3
Argyll Group	1,300	420	−7
Assoc. Brit. Foods	471	361	−2
BAT	1,200	658	−6
BET	686	269	−2
BICC	494	402	−4
BOC	814	537	—
BPB Inds	1,200	397	+3
BPCC	1,100	384	−4
BTR	3,700	350	−4
Barclays	4,500	568	+14
Bass	405	979	+5
Beecham	1,000	529	−2½
Blue Circle	355	463	−10
Boots	1,100	308	−3
Brit. Airways	6,000	197	+1
Brit. Aero	7,400	509	+4
Brit. & Comm.	399	489	−1
British Gas	6,500	169½	−1
Britoil	1,800	323½	−3
BP	6,200	366	−2
Brit. Telecom	6,000	269	−4½
Bunzl	452	237	—
Burton	3,900	305	—
Cable & Wire	18,000	450	+5½
Cadbury Schwps	1,800	273	−2
Coats Viyella	1,400	373	−3
Comm. Union	1,900	365	+3
Cons. Gold	868	£14½	—
Cookson	1,400	820	−3
Courtaulds	1,300	486	+6
Dee Corpn	2,200	228	−3
Dixons Group	1,200	364	−4
English China Clays	833	480	−5
Fisons	1,600	356	−3
Gen. Accident	194	£10⅛	+⅛
Gen. Elect	6,200	213	−4
Glaxo	1,500	£16⅞	−⅛
Globe Investment	75	138	−½
Granada	509	339	−½
Grand Met	668	544	−4
GUS "A"	152	£13⅛	+1/16
Guardian R.E.	1,300	£10⅛	+½
GKN	1,200	390½	−1½
Guinness	4,900	369	—
Hammerson	1,000	690	+15
Hanson Trust	2,200	185½	−½
Hawker Sidd.	486	578	−14
Hillsdown Hldgs	5,400	320	−5
ICI	1,400	£15⅝	—
Jaguar	2,700	544	+4
Ladbroke	6,450	454	—
Land Securities	4,200	578	—
Legal & Gen.	524	333	—
Lloyds Bank	2,700	358	+10
Lonrho	4,100	301	−½
Lucas	1,700	730	+8
MEPC	1,100	544	−12
Marks & Spencer	3,900	234	−1
Midland Bank	3,800	500	−5
Natwest Bank	1,400	719	−4
Next	2,000	355	—
Pearson	845	785	−6
P & O	2,900	684	−12
Pilkington Bros	3,400	296	+1
Plessey	1,300	187	−7½
Prudential	196	£10¼	—
Racal	1,500	304	−5½
Rank Org.	232	694	−5
RHM	183	327	−1
Reckitt & Col	23	£11	−⅛
Redland	931	518	+6
Reed Intl.	844	540	−5
Reuters	634	864	−4½
RMC	1,200	490	—
RTZ	215	£12⅞	−⅛
Rolls-Royce	10,000	114	—
Rowntree	1,000	571	−7
Ryl Bank Scotland	2,200	399	+15
Royal Insurance	3,900	555	+7
STC	1,200	294	−1
Saatchi & Saatchi	197	641	−7
Sainsbury	1,500	270	+6
Scott & Newcastle	557	256	−1
Sears	4,200	168½	+3
Sedgwick	681	295	—
Shell Trans	1,000	£13½	−⅛
Smith & Nephew	1,500	165½	−1½
Standard Chart	201	809	−4
Storehouse	578	364	−3
Sun Alliance	637	£10¾	+⅞
TSB	5,100	143	+3½
Tarmac	2,700	302	+5
Tesco	1,700	186	−4
Thorn EMI	756	668	−1
Trafalgar House	910	365	−2
T'house Forte	1,200	259	−4
Ultramar	764	284	−6
Unigate	579	375	−6
Unilever	581	614	−1
United Biscuits	58	323	—
Wellcome	1,000	441	−3
Whitbread "A"	1,200	347	—
Woolworth	1,800	366	+3

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	41	56	15
Corporations, Dominion and Foreign Bonds	16	7	32
Industrials	406	473	704
Financial and Properties	171	120	318
Oils	22	36	57
Plantations	4	0	10
Mines	33	58	99
Others	23	38	172
Totals	716	788	1,407

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Sept 8 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Mon Sep 7 Index No.	Fri Sep 4 Index No.	Thu Sep 3 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (212)	964.08	−0.3	7.15	2.85	17.60	14.50	967.24	962.26	958.98	713.35
2 Building Materials (30)	1217.98	+0.6	7.43	2.88	16.74	17.82	1210.23	1208.77	1204.35	827.32
3 Contracting, Construction (33)	1737.86	....	6.95	2.78	19.26	20.05	1737.54	1727.12	1711.26	1258.03
4 Electricals (12)	2460.35	−0.7	4.90	2.76	26.32	41.07	2477.54	2480.43	2476.85	1920.98
5 Electronics (35)	2020.36	−1.4	7.97	2.47	16.36	33.73	2048.40	2031.65	2022.32	1516.39
6 Mechanical Engineering (60)	521.92	....	7.71	3.23	16.33	8.99	522.06	519.53	520.71	398.23
8 Metals and Metal Forming (7)	572.49	−0.9	6.73	2.81	17.94	6.86	577.60	572.52	570.33	358.42
9 Motors (14)	384.65	....	7.59	2.86	15.41	5.40	384.63	384.75	385.50	291.34
10 Other Industrial Materials (21)	1671.73	−0.5	5.71	2.97	21.13	24.27	1680.32	1666.57	1655.21	1329.02
21 CONSUMER GROUP (184)	1313.20	−0.3	6.12	2.60	20.89	16.52	1317.50	1311.41	1303.24	958.55
22 Brewers and Distillers (22)	1189.42	−0.1	7.88	3.01	16.07	15.79	1190.86	1178.99	1167.28	951.72
25 Food Manufacturing (24)	1004.65	−0.6	7.18	3.06	18.07	15.60	1011.01	1014.29	1008.18	719.93
26 Food Retailing (16)	2434.77	−0.3	5.93	2.38	22.45	36.46	2442.48	2438.32	2407.59	2015.98
27 Health and Household Products (10)	2450.56	−0.6	4.16	1.63	28.04	16.41	2466.12	2468.21	2465.51	1578.99
29 Leisure (31)	1397.28	−0.3	5.87	3.16	21.25	24.25	1401.05	1383.36	1375.14	937.52
31 Packaging & Paper (15)	680.34	−0.7	6.23	2.61	21.24	8.51	684.94	683.72	683.27	487.48
32 Publishing & Printing (14)	4696.80	−0.4	4.43	3.02	28.95	59.63	4717.14	4744.96	4716.67	2630.13
34 Stores (36)	1084.28	....	6.52	2.68	20.81	13.30	1084.39	1072.18	1065.07	918.65
35 Textiles (16)	841.22	+0.2	7.36	2.66	15.78	11.83	839.29	823.48	819.49	546.88
40 OTHER GROUPS (87)	1134.84	−0.6	7.63	3.11	16.34	18.12	1141.52	1135.62	1130.69	797.76
41 Agencies (16)	1695.46	....	3.58	1.31	36.78	14.64	1696.27	1696.37	1694.57	0.0
42 Chemicals (22)	1477.15	....	6.65	3.09	18.39	31.40	1477.91	1478.17	1464.72	987.86
43 Conglomerates (12)	1437.26	−0.7	7.22	3.27	15.84	20.26	1447.48	1445.83	1442.52	0.0
45 Shipping and Transport (11)	2258.93	−0.5	7.12	3.53	18.70	39.02	2270.58	2255.47	2248.78	1545.65
47 Telephone Networks (2)	1084.85	−1.0	9.35	3.73	14.27	18.98	1096.07	1080.57	1077.40	880.85
48 Miscellaneous (24)	1660.02	−0.8	9.14	2.82	13.06	21.14	1672.98	1666.12	1657.68	1104.17
49 INDUSTRIAL GROUP (483)	1189.36	−0.4	6.80	2.81	18.56	16.81	1194.12	1188.26	1182.34	863.11
51 Oil & Gas (17)	2217.36	−0.7	7.45	4.26	16.60	56.53	2232.38	2247.56	2242.99	1379.90
59 500 SHARE INDEX (500)	1276.66	−0.4	6.90	3.02	18.25	20.24	1282.28	1278.19	1272.39	907.30
61 FINANCIAL GROUP (118)	828.99	+0.5	—	3.69	—	16.87	824.97	819.97	818.98	622.31
62 Banks (8)	826.10	+1.1	16.16	4.71	8.18	25.65	817.18	810.74	817.83	683.01
65 Insurance (Life) (9)	1127.73	−0.2	—	3.79	—	21.09	1129.54	1128.72	1106.87	983.82
66 Insurance (Composite) (7)	629.93	+1.5	—	4.38	—	13.39	620.66	620.01	620.09	495.66
67 Insurance (Brokers) (9)	1222.90	−0.4	9.10	4.63	14.07	26.47	1228.05	1229.32	1244.58	1213.12
68 Merchant Banks (11)	489.73	−0.6	—	2.79	—	6.92	492.44	493.76	492.80	353.75
69 Property (46)	1285.09	....	3.72	2.31	34.75	13.34	1285.49	1264.12	1259.29	770.96
70 Other Financial (28)	563.88	+0.3	5.93	2.71	21.37	7.91	561.66	561.04	558.22	352.72
71 Investment Trusts (92)	1132.08	−0.1	—	2.14	—	13.02	1133.76	1136.20	1131.73	807.22
81 Mining Finance (2)	671.21	−0.5	5.03	2.48	22.84	6.79	674.90	677.39	677.92	296.14
91 Overseas Traders (10)	1214.18	−0.3	7.46	3.88	15.91	29.58	1218.30	1224.27	1215.58	678.11
99 ALL-SHARE INDEX (722)	1161.58	−0.3	—	3.09	—	19.00	1164.92	1161.14	1156.56	825.80

	Index No.	Day's Change	Day's High	Day's Low	Sep 7	Sep 4	Sep 3	Sep 2	Sep 1	Year ago
FT-SE 100 SHARE INDEX ‡	2275.0	−8.6	2295.2	2275.0	2283.6	2274.9	2268.1	2249.5	2272.8	1673.4

FIXED INTEREST

PRICE INDICES	Tue Sept 8	Day's change %	Mon Sept 7	xd adj. today	xd adj. 1987 to date
British Government					
1 5 years	120.82	+0.03	120.83	0.05	7.60
2 5-15 years	134.39	−0.05	134.60	0.15	9.88
3 Over 15 years	142.10	−0.19	142.38	—	9.48
4 Irredeemables	156.32	+0.21	155.99	—	8.81
5 All stocks	132.15	−0.05	132.30	0.09	9.11
Index-Linked					
6 5 years	119.64	+0.08	119.55	—	2.18
7 Over 5 years	112.03	−0.32	112.39	—	2.40
8 All stocks	112.49	−0.29	112.81	—	2.37
9 Debentures & Loans	114.39	−0.10	114.51	—	6.93
10 Preference	84.56	+0.22	84.37	—	3.80

AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 8	Mon Sep 7	Year ago (approx.)
British Government				
1 Low Coupons	5 years	9.59	9.58	8.57
2	15 years	9.81	9.80	9.49
3	25 years	9.70	9.68	9.52
4 Medium Coupons	5 years	10.31	10.31	9.91
5	15 years	10.08	10.06	9.83
6	25 years	9.85	9.84	9.70
7 High Coupons	5 years	10.39	10.38	9.98
8	15 years	10.26	10.23	9.99
9	25 years	9.90	9.88	9.82
10 Irredeemables†		9.92	9.92	9.43
Index-Linked				
11 Inflation rate 5%	5yrs	3.42	3.44	3.69
12 Inflation rate 5%	Over 5 yrs	4.05	4.03	3.44
13 Inflation rate 10%	5 yrs	3.35	3.37	2.44
14 Inflation rate 10%	Over 5 yrs	4.04	4.02	3.29
15 Debs & Loans	5 years	11.36	11.34	10.15
16	15 years	11.36	11.34	10.55
17	25 years	11.36	11.34	10.61
18 Preference†		10.82	10.84	10.81

‡Opening index 2288.5; 10 am 2289.2; 11 am 2294.7; Noon 2291.4; 1 pm 2292.6; 2 pm 2291.8; 3 pm 2285.1; 3.30 pm 2287.4; 4 pm 2281.4

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
Allied Lyons (*420)	390	42	53	65	7	12	17
	420	22	35	47	15	25	30
	460	7	20	30	45	50	53
Brit. Airways (*200)	190	19	—	—	6	—	—
	200	13	26	34	11	18	21
[illegible]							

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
Guinness (*372)	330	50	60	68	6	12	12
	360	27	40	50	14	22	25
	390	14	25	—	28	35	—
Ladbroke (*456)	420	—	58	70	—	13	20
	443	30	—	—	15	—	—
	460	20	35	45	25	30	37
[illegible]							

September 8. Total Contracts 49,717. Calls 30,280. Puts 19,437. FT-SE Index Calls 1,513. Puts 874 *Underlying security price.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
					Adscene	111	....	L2.5	1.9	3.1	23.5
[illegible]											

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Sep. 8	Price Sch%	+ or −
Creditanstalt	2100	−30
Goesser	3170	−30
Interunfall	12310	.....
Jungbunzlauer	8570	+60
Laenderbank	1910	+10
Perlmooser	725	.....
Steyr-Daimler	121	.....
Veitscher Mag	819	+18

BELGIUM/LUXEMBOURG

Sep. 8	Price Frs.	+ or −
B.B.L.	3300	−35
Banque Gen. Du L.	14875	.....
Bank Int. A	14300	.....
Bekaert B	12050	.....
Ciment CBR	6170	−160
Cockerill	175	−2
Colruyt	11525	+25
Delhaize	4500	−200
EBES	4860	−140
Fabrique Nat	2470	−10
GB Inno BM	1300	−40
GBL (Brux) L	4100	−195
Generale Bank	6340	−120
Gevaert	8130	−170
Hoboken	8400	−40
Intercom	3890	−90
Kredietbank	4480	−90
Pan Holdings	19400	.....
Petrofina	13550	−175
Raffinerie Tirle	1740	−80
Royale Belge	6150	−60
Soc Gen Belge	3700	−100
Sofina	14450	−550
Solvay	14600	+50
Stanwick Intl.	550	.....
Tractebel	7900	−180
UCB	11050	.....
Wagons Lits	5680	−20

DENMARK

Sep. 8	Price Kr %	+ or −
Baltica Skand	1070	.....
Cop Handelsbank	271	+2
D. Sukkerfab	318	+1
Den Danske Bank	375	+1
East Asiatic	214	+2
Forenede Brygg	1040	+40
GNT Holding	250	+5
I.S.S.B. Systems	850	.....
Jyske Bank	565	+20
Novo Inds.*	230	+1
Privatbanken	287	+1
Sophus Berendsen	1040	+40
Superfos	240	+1

FINLAND

Sep. 8	Price Mka	+ or −
Amer	252	+2.5
KOP	55.25	.....
Kone	238.5	−0.5
Finnish Sugar	88.5	+2.25
Kymmene	139.5	+1
Nokia	231	−1.5
Pohjola 'B'	111.5	+2
Rauma-Repola	32.5	+0.25
Stockmann 'B'	277.5	+0.5
UBF 'C'	34.75	−0.15
Utd. Paper	158	−0.5
Wartsila (s11)	244.5	−3

FRANCE

Sep. 8	Price Frs.	+ or −
Emprunt 4½% '73	1885	−7
Emprunt 7% 1973	9020	−25
Accor	482	+10
Agence Havas	572	+7
Air Liquide	678	−4
Alcatel	2350	−28
BIC	782	+8
BNP (Cert. Inv.)	477	−8
Bongrain	2998	−2
Bouygues	1299	−2
BSN Gervais	5260	−100
Carrefour	3551	−38
Club Mediterranee	655	.....
Cie Bancaire	770	.....
Cofimeg	321	−5
CGE	336.70	+0.2
Damart	3295	+45
Darty	501	+5
Dumez S.A.	1151	+3
Eaux (Cie Gen)	1347	−1
Elf-Aquitaine	370.10	−2.9
Essilor	3905	+5
Gen. Occidentale	1131	−8
Imetal	187	+0.5
Lafarge Coppee	1703	−7
L'Oreal	3990	−40
Legrand	3200	+95
Maisons Phenix	65	+1
Matra S.A.	2198	+58
Michelin B	343	−5
Midi (Cie)	1350	+2
Moet-Hennessy	2870	−30
Moulinex	84	+4
Nord-Est	166.80	+1.6
Paribas	490	−3
Pernod Ricard	1017	+16
Perrier	899	.....
Petroles Fra	438	+2
Peugeot S.A.	1611	−14
Printemps Au	732	−7
Radiotech	1741	.....
Redoute	3321	−52
Roussel-Uclaf	1531	−9
St. Gobain	489	+2.2
Sefimeg	428	.....
Skis Rossignol	1225	+40
Telemech Elect	3499	−3
Thomson (CSF)	1356	+8
Valeo	691	−4

GERMANY

Sep. 8	Price Dm.	+ or −
AEG	329.00	+5
Allianz Vers	1970.00	+5
BASF	330.10	−0.4
Bayer	344.50	+1.7
Bayer-Hypo	500.00	+6
Bayer-Verein	473.00	−1
BHF-Bank	468.00	.....
BMW	749.00	−1
Brown Boveri	335.00	+2
Commerzbank	293.00	−0.5
Cont'l Gummi	349.70	+4.7
Daimler-Benz	1052.00	+6
Degussa	528.50	+2.5
D'sche Babcock	226.00	+3
Deutsche Bank	680.50	+1
Dresdner Bank	352.50	+1
Feldmuehle Nobel	322.00	+5
Henkel	560.00	−0.5
Hochtief	698	+3
Hoechst	317	.....
Hoesch Werke	124.00	.....
Holzmann (P)	420.00	+1.8
Horten	233.00	−3
Hussel	671.00	−3.5
Karstadt	550.00	+10
Kaufhof	498.00	+5.5
KHD	180.50	+2.5
Kloeckner Werke	142.10	+0.1
Linde	748.00	−5
Lufthansa	177.00	+4
MAN	189.50	+7.5
Mannesmann	165.80	+1.8
Mercedes Hld.	935.00	−2
Metallgesell	350.00	−1
Muench Rueck	2,055	−10
Nixdorf	813.00	+0.5
Porsche	970.00	+1
Preussag	189.00	+3
Rhein West Elect.	246.50	+6
Rosenthal	265.00	−4
Schering	599.80	+5.8
Siemens	643.00	+6
Thyssen	132	.....
Varta	357.00	−2
Veba	319.00	+1
V.E.W.	172.00	+0.2
Verein-West	460.00	+5
Volkswagen	398.00	+8.8

ITALY

Sep. 8	Price Lire	+ or −
Banca Com'le	2872	.....
Bastogi-IRBS	394	−13
CIR	5200	+45
Credito Italian	1801	.....
Fiat	10520	−125
Generali Assicur	123,400	−600
Italcement	102200	−2000
La Rinascenti	1005	.....
Montedison	2320	−10
Olivetti	11150	−100
Pirelli Co	5680	−34
Pirelli Spa	4120	−40
Saipem	3360	.....
Snia BPD	3130	−20
Toro Assic	26,300	.....

NETHERLANDS

Sep. 8	Price Fls.	+ or −
ACF Holding	60.50	−0.2
AEGON	85.80	+0.8
Ahold	100.00	+0.8
AKZO	167.30	+2.3
ABN	48.50	+0.9
AMEV	60.00	+0.9
AMRO	85.00	+1.3
Buehrmann-Tet	63.90	+0.9
Dordtsche Petroleum	235.00	+1
Elsevier Ndu	64.00	+0.7
Fokker	56.30	−0.5
Gist Brocades	46.90	+1.4
Heineken	176.50	+2.7
Hoogovens	46.90	+0.4
Hunter Douglas	60.80	−0.8
IHC Caland	23.60	+0.9
Int Mueller	64.50	+1.3
KLM	51.30	+0.4
KNP	162.50	+1.3
Nat Ned Cert	73.60	+0.5
Ned Mid Bank	169.80	+3.3
Ned Lloyd	180.00	+3
Oce Grinten	448.00	+4
Ommeren (Van)	35.50	+0.1
Pakhoed	84.30	+0.9
Philips	51.20	+0.3
Robeco	108.40	+0.1
Rodamco	141.70	.....
Rolinco	103.70	+0.2
Rorento	51.60	−0.1
Royal Dutch	259.80	+0.6
Unilever	134.50	+2
VMF Stork	21.40	−0.1
VNU	90.70	−0.1
Wessanen	87.50	+0.7
Wolters Samsom	128.00	−1.7

NORWAY

Sep. 8	Price Kroner	+ or −
Aker-Norcem	81	.....
Bergen bank	225	+1
Bergesen B	384	−1
Christiania Bk.	243	+6.5
Den Norsk Credit	193.50	+3.5
Elkem	153	−0.5
Hafslund	663	+15
Kosmos	155	+6
Kvaerner	320	+23.5
Norsk Data	234	−9
Norsk Hydro	247.50	−1
Orkla Borregaard	609	−8.5
Storebrand	441	+1

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 47

CANADA

TORONTO

Closing prices September 8

MONTREAL

Closing prices September 8

Indices

LONDON – Most Active Stocks

Tuesday, September 8, 1987

	Stocks Traded	Closing Price	Change on Day
Cble & Wire	18.8m	450	+ 3½
Rlls Royce	10.9m	114	xch
Brit Aero	7.4m	589	+ 4
Brit Gas	6.5m	189½	− 1
Ladbroke	6.45m	454	xch
BP	6.2m	366	− 2
Gen Elect	6.2m	213	− 4
Brit Airways	6.9m	197	+ 1
Brit Telecom	6.8m	269	− 4½
Hildwn Hldgs	5.4m	328	− 5

TOKYO – Most Active Stocks

Tuesday, September 8, 1987

	Stocks Traded	Closing Prices	Change on Day
Oki Elec	40.79m	848	+ 60
Nippon Steel	17.37m	334	+ 4
Kawasaki Steel	16.06m	285	+ 2
Nichirei	14.83m	1,838	− 10
Yodogawa Steel	14.85m	1,389	+ 58
Nissan Motor	13.53m	763	+ 27
Sumitomo Metal Ind	13.26m	243	+ 4
Fujitsu	12.64m	1,320	+ 78
Kobe Steel	11.05m	288	+ 7
Mitsubishi Heavy Ind	9.74m	598	xch

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:

APV Bak.	789	+10
ASD	330	+40
Abbeycr.	185	− 5
Barclays	568	+14
Bolton Text.	108	+17
Cble & Wrless	450	+ 5½
Collins (W.)	918	+15
Devenish (JA)	329	+10
Elec Hse	177	+15
Hambros	361	+ 7
Laing (J.)	378	+ 7
London Intl	322	+ 8
Lucas Inds.	730	+ 8
Peach. Prop.	440	+14
Rich. West	91	+ 7
Ryl Bnk Scot	399	+15
Sainsbury (J.)	270	+ 6
Steetley	361	+15
Sun All.	£10¾	+ ⅜

FALLS:

Adm Comp.	145	−12
Booker	458	−11
Bowater Inds	528	−23
Hambro Count.	161	−10
Hill Sam	662	−20
Klein. Bens.	551	−11
MEPC	544	−12
Olvs Ppr Mill	180	−23

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
37⅞	30⅝	AAR s	.50	1.5	22	322	34½	32¾	33⅜	−1⅜
52	22	ADT	.92	1.8	29	6408	51½	51⅜	51⅜	−⅛
31¼	16¾	AFG s	16	.6	10	691	28⅛	27¼	27¾	−¼
22⅜	8⅜	AGS s			17	457	19⅝	18⅛	18¾	−1
10⅞	6¾	AMCA				6	9¾	9⅝	9⅝	−⅜
9⅜	4⅞	AM Intl				1298	7¾	7⅛	7⅜	−¼
65½	50¼	AMR			12	8512	55⅞	54⅜	55⅞	+½
25	22¼	ANR pf 2.12		9.4		2	22⅝	22⅝	22⅝	−¼
12¼	8½	ARX s			11	255	11¼	11⅛	11¼	
73½	34⅜	ASA	2a	3.0		870	66¾	65¼	65¾	−1⅝
20	9¾	AVX	.32	1.9	34	503	17	16¼	16⅝	−⅜
67	41	AbtLab	1	1.6	24	5780	61⅞	59	60⅝	−⅞
28	24¼	Abitibi g				192	26¼	25½	25¾	−½
16¾	9¾	AcmeC	40	3.1	13	558	13½	12¼	12¾	−1
10½	6⅛	AcmeE	.32b	3.5	57	48	9½	9⅛	9⅛	−⅜
23⅞	19	AdaEx	3.42e	16.		102	21⅜	21	21	−½
19½	11⅜	AdmMl s	.24	2.0	9	100	12⅜	11⅞	12	−⅝
28¾	12⅞	AdvSys	.62t	2.3	18	211	27¼	26	26⅞	+⅜
24½	12⅞	AMD				5667	20⅜	19⅝	20⅛	−⅛
56⅝	47	AMD pf	3	5.7		24	52¾	52⅜	52¾	−¼
11⅞	5¼	Adobe				261	9⅞	9⅛	9⅛	−⅞
20½	14¾	Adob pf	1.84	9.4		10	19½	19¼	19½	−¼
21⅞	17	Adob pf	2.40	11.		25	21⅝	21⅜	21⅝	+⅛
15	10⅜	Advest	.12a	1.1	9	462	11½	11⅛	11¼	−⅛
68¼	53	AetnLf	2.76	4.6	8	4650	60⅝	59⅜	60⅛	−⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 47

NYSE COMPOSITE CLOSING PRICES

Continued from Page 46

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
85	51	Xerox	3	4.0	17	6072	78 1/4	73 3/4	75 3/4	-1 1/2
58 1/4	53 3/4	Xerox pf5.45		10.		588	53 7/8	d53 3/8	53 1/2	-3/8
31 1/2	21 1/2	XTRA	.64	2.2	23	62	29 1/4	28 5/8	28 5/8	-7/8
27 7/8	25 5/8	XTRA pf1.94		7.2		14	27	27	27	-1/2
31 3/4	15	YorkIn			14	278	30 5/8	29 1/4	29 1/4	-1 3/8
7 1/4	2 1/4	Zapata				747	5 1/2	5 1/8	5 3/8	-1/4
32 7/8	20 3/8	Zayre	.40	1.5	10	3616	28	26 1/2	27 1/2	-7/8
14 3/4	8 3/4	Zemex	.40	3.2	8	16	12 1/2	12 3/8	12 3/8	+1/8

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued on Page 45

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Rate worries add to holiday hangover

WALL STREET

A WIDELY HELD view that US interest rates would continue an upward course was a pervasive depressant as Wall Street returned yesterday from its Labor Day weekend, *writes Gordon Cramb in New York.*

With many participants absent by the time the half-point rise in the discount rate was brought in on Friday, a hangover of retail profit-taking among blue chip-stocks resulted. Cautious at the opening, this escalated as it became clear that no rally could be established.

At the close the Dow Jones industrial average was down 16.26 at 2,545.12.

Mr Newton Zinder at brokers E. F. Hutton warned that "any first rally is likely to be followed by a pullback-test phase. There has been enough damage inflicted on individual stocks over the past couple of weeks to suggest that several weeks of rebuilding will be needed before the market can do anything sustainable on the upside".

IBM, the market leader which has been at the forefront of profit-taking this month, continued $2¼ lower to $158⅜. Digital Equipment lost $1⅛ to $184⅜ as it prepared the launch of a new product range with a lavish spectacle aboard the QE2 in Boston harbour.

Cray Research, the supercomputer developer which was badly hit last week in the stock market following its decision to abandon its most advanced project, lost $⅝ to $95⅞.

Amid the general air of gloom, a few special situations prompted price rises against the trend. The most prominent of these was GAF, the specialty chemicals and building products maker which the management is seeking to take private. Its shares passed the $86.50 cash and debenture offer level to trade at $86⅝, up $12¼.

McGraw Hill, the publisher around which intense takeover speculation has been swirling, advanced $1¾ more to $83.

Newmont Mining was $1⅛ better at $89½ as Mr T. Boone Pickens began his $95-a-share tender offer. Homestake Mining was off $⅛ at $45⅞.

Caesars World, the casino operator, firmed $⅛ to $29⅝, showing little reaction to the halting of a recapitalisation plan. Instead it is planning a buyback of 31 per cent of its equity at prices ranging from $29.50 to $34.

Merck dropped $5 to $208¼. It had been one of the best performers of the past fortnight because of the good industry response accorded to its new cholesterol agent.

In the consumer-related sectors, the Wisconsin-based brewer G. Heileman was at $41½, relinquishing $⅜ of Friday's upward bound, but it remained significantly above the $38-a-share offer made by Bond Corporation Holdings.

Toymaker Tonks fell $1⅜ to $18⅜ on fears about the debt load involved in its agreed bid for Kenner Parker Toys. Against an offer price of $51, Kenner Parker dipped $¼ to $50⅝. New World Entertainment, the rival suitor pushed out by the deal, was down $⅜ at $8½.

Among the airlines Allegis, operator of United, slipped $⅝ to $96¾. Friday's deal with Ladbroke for the disposal of Hilton International will hasten its return to a pure airline stock. Texas Air was notable for a $1½ slide to $25¾ – it has been to the fore in the latest round of fare discounting on domestic routes.

Elsewhere among transport issues, Santa Fe Southern Pacific at $51⅛ was $⅜ lower as it moved to comply with a federal ruling by seeking the divestment of its Southern Pacific railway. Burlington Northern, another rail network operator as well as natural resources group, fell $1⅛ to $73¾.

Ford, which bought the Aston Martin Lagonda marque and which is to sell passenger vehicles in Sweden, dropped $1⅞ to $100¼. Chrysler, also planning European sales, was off $1⅝ to $42⅛ while General Motors lost $1 to $86¼.

Bankers Trust, filing for clearance to sell 3.5m shares into the market, fell $2 to $44⅜. As the new interest rate levels for the US appeared not to find favour, Citicorp lost $1½ to $58¾ and Manufacturers Hanover was down $⅞ to $39½.

The long end of the government bond market saw no chance of regaining poise. The bellwether 30-year issue, carrying an 8⅞ per cent coupon, lost a further 1½ points to 92¹¹⁄₁₆ where it yielded a towering 9.62 per cent.

With federal funds running up to 7³⁄₁₆ per cent, three-month Treasury bill yields moved up seven basis points to 6.63 per cent. The authorities were still absent from the market well after their usual late-morning intervention time.

CANADA

WIDESPREAD profit-taking following the Labor Day holiday sent stocks in Toronto sharply down with all sectors broadly lower.

Oils were heavily hit by both profit-taking and indications of lower crude oil prices. Gulf Canada dropped C$1 to C$22⅞, Shell Canada fell C$1½ to C$45½, Imperial Oil shed C$2 to C$73¾ and Texaco Canada was down C$¾ to C$34.

Echo Bay Mines led a broad retreat in golds, losing C$1⅜ to C$35¾. Placer Dome fell C$⅝ to C$27, Hemlo was down C$½ at C$25⅛ and LAC Minerals was off C$¼ to C$16¼.

Base metals slipped along with golds, as Noranda fell C$1⅛ to C$32⅞ in heavy trading. Inco was off C$1¼ at C$25¼ and Cominco shed C$⅛ to C$20⅞.

Banks also lost ground with Toronto Dominion Bank dropping C$⅝ to C$33, Royal Bank down C$½ at C$33¾ and Bank of Montreal down C$⅞ at C$32⅞.

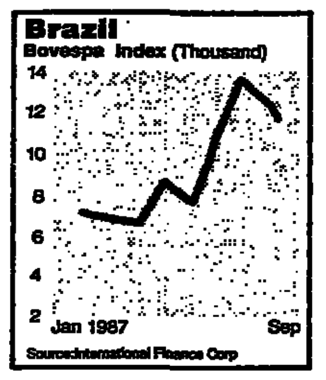
Blue chips were lower. Bell Canada Enterprises dipped C$¾ to C$40, Imasco was down C$⅛ at C$34⅛, Moore Corp down C$⅞ at C$32⅞, Seagram off C$1⅜ at C$96 and Northern Telecom off C$⅝ at C$29⅛.

Ann Charters reports on a shrunken market

Brazil's woes restrain investors

AS BRAZILIAN officials travel the world for debt talks, investors at home are shunning a stock market that is severely depressed by worries over the country's economic future.

In the past 30 days, the key Bovespa index for the Sao Paulo stock exchange has fallen by 18.2 per cent. Both Sao Paulo and the other major exchange in Rio de Janeiro spent last week in net decline again, although they recovered slightly on Friday before the long Independence Day weekend.



Analysts say investors are reluctant to participate in the market because of continued concern over the economy. Inflation at 6.36 per cent in August was about double the expected figure, interest rates have been fluctuating as the central bank tries to soak up liquidity, and there is uncertainty over the current debt negotiations with foreign bankers and officials.

First half results now being published show many traditionally profitable companies posting losses and causing indices to decline.

The Gazeta Mercantil, a Sao Paulo business newspaper, cited as examples Sharp, an electronic conglomerate, whose shares dropped 17 per cent, Acesita, a major steel company whose shares lost 20.6 per cent, Mannesmann, a steel pipe manufacturer, down 29.1 per cent, and Varig, Brazil's flag carrier airline, down 22.7 per cent.

The stock market has shrunk in terms of points and volume compared to the heights reached of around 20,000 in the Bovespa index during the second quarter of 1986 when the Cruzado Plan, aimed at reducing inflation, was in its early months.

Daily trading then would reach a high of $150m a day, equivalent to Cz7.3bn at current exchange rates and far above recent volume figures.

Last Friday, the Bovespa index closed at 11,785, up 1.2 per cent for the day, but down 4.4 per cent for the week. Volume reached Cz948m that day, an improvement of 20.4 per cent over the previous day's trading. Analysts attributed the upturn to the long weekend, with settlements for trading due later than usual.

Yesterday the index ended 4.1 per cent lower at 11,292 amid continued concern over the debt question.

Investors hope that foreign capital will be permitted into the stock exchanges in the next few months to give trading a much needed boost.

The Brazil fund has already received government approval and may be ready to invest as early as November. The fund's shares are to be launched in the US market by First Boston Corporation, International Finance Corporation and Merrill Lynch. Scudders, Stevens and Clark is to administer the fund, which is expected to raise $100m.

EUROPE

Central banks provide partial relief from gloom

INTERVENTION to support the dollar provided the impetus for a technical correction which lifted West German and Dutch stocks out of their previous day's gloom. The long shadow of interest rate fears continued to depress other markets in Europe yesterday. Scandinavian bourses, however, forged ahead to more records.

Frankfurt recovered to close above Monday's levels following concerted European central bank intervention to support the dollar. The Commerzbank index added 6.90 to 1,930.40 in light volume as foreign dealers stayed away.

The Frankfurt International Motor Show and the accompanying publicity lifted car shares. Daimler added DM6 to DM1,052 and VW was up DM8.80 at DM398. Continental, presenting a new tyre at the show, rose DM4.70 to DM349.70 and BMW recovered from the day's low of DM742 to end DM1 lower at DM749.

Chemicals finished lower with moderate declines. In mixed banks, Deutsche Bank rose DM1 to DM680.50, Commerzbank slipped 50 pfg to DM293 and Dresdner gained DM1 to DM352.50.

Bonds were steady after the dollar intervention and the Bundesbank sold only DM7.4m worth of paper after buying DM76.2m on Monday.

Amsterdam was supported by short-coverings and recovered some of the previous day's losses. The ANP-CBS index added 3.4 to 305.9 but investors remained cautious with foreign buyers staying on the sidelines.

Banks and insurers continued their technical recovery with ABN adding 70 cents to Fl 48.30, Amro up Fl 1.40 at Fl 85.10 and Amev gaining Fl 1 to Fl 60.10.

Retailer Ahold picked up 60 cents to Fl 99.80 after reporting lower first-half profits on Monday.

Zurich moved lower across the board as investors waited for a fresh lead from Wall Street after the Labor Day holiday. The Crédit Suisse index dipped 3.3 to 593.3 on moderate turnover.

The limited buying interest focused on Brown Boveri which is expected to announce higher profits. Its shares firmed against the trend to SFr2,820, up SFr45.

In foods, Nestlé lost SFr200 to SFr10,800 on profit-taking and Jacobs-Suchard fell SFr125 to SFr9,925.

Financials were narrowly mixed and banks posted modest declines.

Paris drifted within a narrow range and ended mixed with a lower bias as investors remained cautious about the lower dollar. The CAC index slipped 1 to 430.7 in calm trading.

Among leading blue chips, Elf Aquitaine shed FFr2.90 to FFr370.10, Lafarge Coppée slipped FFr7 to FFr1,703 and Peugeot dropped FFr14 to FFr1,611.

Brussels ended lower across the board on moderate selling prompted by continued expectations of higher domestic interest rates. The Brussels stock index lost 108.92 to 5,147.88 with holding and utilities showing the largest drops.

Holdings saw Sofina shed BFr550 to BFr14,450 and Cobepa lose BFr200 to BFr6,250.

In utilities, Electrafina finished BFr240 down at BFr7,550 and Tractebel was BFr180 lower at BFr7,900.

Oslo hit a seventh consecutive high with the all-share index rising 1.51 to 417.74, as government plans to boost foreign share ownership in Norwegian firms continued to lift the market.

Stockholm climbed to a record as initially dull trade picked up late in the afternoon. The J & P index rose 13.7 to 3,094.9 on high volume.

Buying interest focused on blue chips including construction issue Asea which added SKr8 to SKr446 and Saab-Scania which firmed SKr9 to SKr257. Volvo gained SKr2 to SKr406.

Milan lost most of Monday's gains as all sectors moved broadly lower in lacklustre trading. The MIB share index lost 9 to 839 as worries resurfaced over the shape of next year's budget.

Madrid finished mixed as gains in banks and electrical utilities offset losses in most other sectors. The general index inched up 0.65 to 312.3.

LONDON

UK EQUITIES began confidently yesterday but turned down later when Wall Street opened weakly after the long Labor Day holiday. The FT-SE 100 index finished 8.6 lower at 2,275.0 and the FT Ordinary was down 13.3 at 1,775.2.

Government bonds also started well before falling back on currency factors. Long-dated issues ended slightly easier. Details, **Page 42**

ASIA

Telecom stocks switch Nikkei into recovery

TOKYO

PRODUCERS of telecommunications equipment and issues related to phone installation surged ahead in Tokyo yesterday, initiating a broad-based rally, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei stock average rebounded and advanced 200.00 points to 25,204.09, the first rise in three trading days. Volume remained relatively light at 546.07m shares although up from Monday's 379.42m shares. Advances outnumbered declines by 529 to 351, with 153 issues unchanged.

Fujitsu and OKI Electric Industry moved into the spotlight, with 17 high-tech and other stocks posting maximum allowable daily gains. This strength was founded on a fresh appraisal of the privatisation of Nippon Telegraph and Telephone (NTT), which recently entered rivalry with three new communications service firms.

The three new companies, Teleway Japan Ltd, Japan Telecom and Daini-Denden Inc, officially started competing in inter-city telephone services on Friday. Brokers said NTT would need to expand to meet the competition.

According to a report on telecommunications published by an advisory council, Japan's information industry will expand steadily in the years ahead and is expected to account for 20 per cent of gross national product in the year 2000, up from 7 per cent at present.

OKI Electric Industry soared Y60 to Y848 on the largest volume of 40.79m shares, or some 7 per cent of overall trading volume. Fujitsu was also actively traded with 12.64m shares and gained Y70 to Y1,320. Fujikura added Y30 to Y865, and Kyowa Densetsu was up Y150 at Y1,550.

Among other communications issues, Toyo Communication Equipment rose Y300 to Y2,040, Iwatsu Electric advanced Y103 to Y1,080 and Nitsuko was up Y200 at Y1,640.

The Government is expected to raise around Y5,000bn through the second sale of 1.95m NTT shares, scheduled for November.

Reflecting the strong performances of NTT-related issues, high-tech stocks were also sought: Hitachi climbed Y40 to Y1,230, Matsushita Electric Industrial rose Y70 to Y2,440, NEC Corp added Y80 to Y2,010 and Sony gained Y80 to Y5,050.

Tokyo Electric Power firmed Y110 to Y6,400. It had led the market early this year when the Government released 1.95m NTT shares for the first time.

Nissan Motor, sixth-busiest with 13.53m shares, advanced Y27 to Y763.

Giant-capital steels also strengthened, with Nippon Steel, second-busiest with 17.37m shares, gaining Y4 to Y334 and Kawasaki Steel up Y2 to Y285.

Elsewhere, Yokohama Rubber firmed Y47 to Y729, Mitsubishi Petrochemical rose Y30 to Y1,370 and Koito Mfg added Y49 to Y897.

Bond yields lost ground on small-lot buying by dealers prompted by the firmness of the yen against the US dollar in early trading.

The yield on the benchmark 5.1 per cent government bond due in June 1996 dropped from Monday's 5.480 per cent to 5.350 per cent after starting at 5.420 per cent in block trading on the Tokyo Stock Exchange. It later fell to 5.280 per cent in inter-dealer trading.

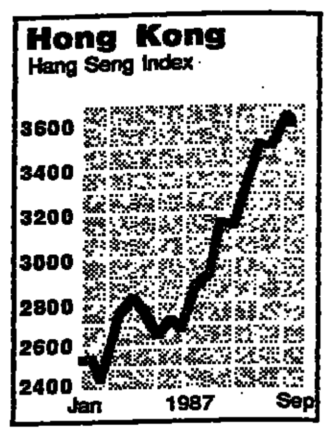
On the Osaka Securities Exchange (OSE), share buying in small-capital companies based in western Japan strengthened to drive the OSE stock average higher for the first time in three sessions.

The OSE average gained 77.26 points to 25,799.98 on a volume of 62.57m shares, up 25.11m shares from the previous day.

Nintendo advanced Y300 to Y11,500, Ono Pharmaceutical was up Y150 at Y7,450 and Torishima Pump Mfg. rose a maximum Y200 to Y1,300.

Taateho Chemical Industries tumbled a maximum Y100 to an all-time low of Y720. Sakai Chemical Industry turned down Y80 to Y2,700.

HONG KONG



BLUE CHIPS suffered losses across the board in Hong Kong as the mood turned bearish and institutional selling gathered pace. The Hang Seng index dropped by 44.79 to 3,601.54 in heavy trading worth HK$2.1bn. The Hong Kong index registered a 27.30 fall to 2,364.10.

The setback was attributed partly to a realisation that the market had been seriously overbought and partly to rumours that local interest rates might be forced up.

A sharp fall in the September Hang Seng index futures contract also contributed, leaving the premium over the cash market at just 12 points and encouraging arbitrageurs to sell blue chips to cover short futures positions.

The biggest losses were in the property sector, where Cheung Kong and Hongkong Land showed 10-cent falls to HK$12.80 and HK$8 respectively, and New World Development was down 40 cents at HK$14.60.

Among weaker banks, Hongkong Bank lost 10 cents to HK$10.80 following a sell recommendation by Kleinwort Grieveson.

AUSTRALIA

THE RECORD run petered out in mild profit-taking in Sydney although certain sectors, notably banking, continued to post good gains. The All Ordinaries index edged down 2.7 to 2,207.8 from Monday's record high in heavy turnover of 202m shares compared with 150m the previous day.

Several bank stocks rose on rumours of further buying by entrepreneurial groups. Westpac was 16 cents higher at A$6.90 on 1.7m shares and ANZ up 14 cents at A$5.68, both new highs for the year.

But National Australia Bank ended 8 cents lower at A$5.80 on profit-taking following retailer David Jones' acquisition of a stake; turnover reached 1m shares. Jones rose 30 cents to A$12.30 and parent Adelaide Steamship was also up 30 cents at A$10.50.

Elsewhere in the industrial sector, TNT gained 6 cents to A$6.32 following its record profits. Building group Boral was down 60 cents at A$6.20 after it announced a one-for-10 rights issue and profits below market expectations.

SINGAPORE

THE RECOVERY from last week's losses gained strength in Singapore and volume also picked up. The Straits Times industrial index put on 28.32 to 1,429.95 in turnover of 28.8m shares, still modest but a rise of 11.2m from Monday.

Confidence was gradually returning, although sentiment remained cautious because of the new settlements system.

Among Malaysian stocks, Sime Darby added a further 6 cents to S$3.54 on 1.1m shares after its 10-cent gain on Monday in the wake of higher profits. Just ahead of it in volume terms was City Development, up 5 cents at S$5.10 on 1.4m shares.

Best blue chip gains included Singapore Airlines, 40 cents ahead at S$14.70, DBS, up 30 cents at S$16.80, and OCBC, 20 cents higher at S$10.30.

SOUTH AFRICA

THE FALL in the bullion price to below $460 pushed golds and most other mining shares lower in Johannesburg but selling was not heavy as many investors stayed sidelined.

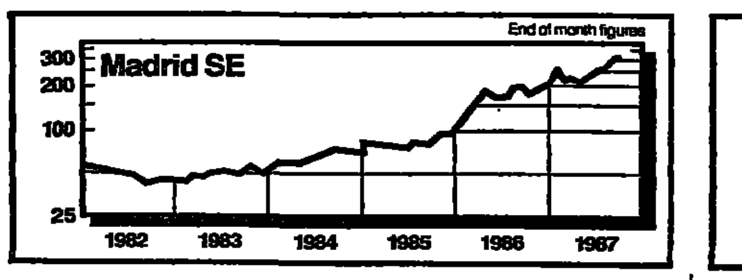
Vaal Reefs shed R10.50 to R467.50, Randfontein lost R5 to R430 and Elandsrand was down R1.50 at R34.50.

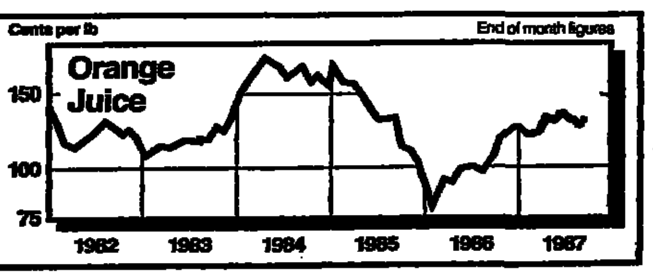
Among mining financials, Anglos was off 50 cents at R91 and Gencor also eased 50 cents to R68.50. Gold Fields lost 25 cents to R93.75.

Diamond share De Beers lost 50 cents to R53, while platinums saw Rustenburg off 25 cents at R58.

Generally lower industrials saw Barlow Rand lose R1.50 to R27 and Sasol off 5 cents at R13.90.

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	Sept 8	Prev	Year ago
DJ Industrials	2,545.12	(c)	1,886.65
DJ Transport	1,012.12	(c)	777.75
DJ Utilities	199.92	(c)	210.69
S&P Comp.	—	(c)	248.14
LONDON FT			
Ord	1,775.2	1,788.5	1,323.7
SE 100	2,275.0	2,283.6	1,666.60
A All-share	1,161.58	1,164.92	825.80
A 500	1,276.66	1,282.28	907.30
Gold mines	454.2	467.4	315.41
A Long gilt	9.90	9.88	9.77
World Act. Ind (Sept 4)	136.93	137.53	101.24
TOKYO			
Nikkei	25,204.09	25,004.09	18,552.2
Tokyo SE	2,082.10	2,067.61	1,524.55
AUSTRALIA			
All Ord.	2,207.8	2,210.5	1,235.5
Metals & Mins.	1,395.2	1,398.9	595.8
AUSTRIA			
Credit Aktien	215.25	n/a	239.17
BELGIAN SE			
SE	5,147.80	5,256.80	4,020.48
CANADA			
Toronto			
Met.& Mins.	3,093.3	(c)	2,182.86
Composite	3,900.0	(c)	3,092.2
Montreal			
Portfolio	1,927.80	(c)	1,550.81
DENMARK SE			
SE	n/a	214.26	193.62
FRANCE			
CAC Gen	430.70	431.70	404.6
Ind. Tendance	n/a	111.60	96.56
WEST GERMANY			
FAZ-Aktien	627.17	624.90	693.57
Commerzbank	1,930.40	1,923.50	2,089.0
HONG KONG Hang Seng	3,601.54	3,646.33	1,969.68
ITALY Banca Comm.	606.79	613.33	773.29
NETHERLANDS ANP CBS			
Gen	305.90	302.50	299.4
Ind	258.40	256.10	300.1
NORWAY Oslo SE	565.56	565.54	378.45
SINGAPORE Straits Times	1,458.20	1,429.90	841.97
SOUTH AFRICA JSE			
Golds	—	2,397.0	1,811.0
Industrials	—	2,220.0	1,373.0
SPAIN Madrid SE	312.30	311.65	(c)
SWEDEN J & P	3,094.90	3,081.20	2,415.95
SWITZERLAND Swiss Bank Ind	684.0	691.20	578.3

COMMODITIES (London)

	Sept 8	Prev
Silver (spot fixing)	460.90	463.10p
Copper (cash)	£1,069.00	£1,055.00
Coffee (Nov)	£1,320.00	£1,343.00
Oil (Brent Blend)	$17.60	$17.65

GOLD ($/oz)

	Sept 8	Prev
London	$458.00	$463.75
Zurich	$456.50	$463.85
Paris (fixing)	$461.58	$463.51
Luxembourg	$463.00	$463.25
New York (Dec)	$465.50	$470.80

CURRENCIES (London)

	US DOLLAR Sept 8	US DOLLAR Previous	STERLING Sept 8	STERLING Previous
$	–	–	1.6595	1.6600
DM	1.7925	1.7920	2.975	2.975
Yen	141.70	141.75	235.25	235.25
FFr	5.995	5.9950	9.9475	9.9525
SFr	1.4840	1.4850	2.4625	2.465
Fl	2.0175	2.0180	3.3475	3.35
Lira	1,299	1,298	2,155.5	2,154.75
BFr	37.25	37.25	61.80	61.85
C$	1.3125	1.3115	2.1790	2.1765

INTEREST RATES

Euro-currencies (3-month offered rate)	Sept 8	Prev
£	10⅛	10⅛
SFr	3⅝	3⅝
DM	3¹³⁄₁₆	3¹⁵⁄₁₆
FFr	8¹⁄₁₆	8¹⁄₁₆
FT London Interbank fixing (offered rate)		
3-month US$	7⅝	7⁹⁄₁₆
6-month US$	8	8
US Fed Funds	7³⁄₁₆*	n/a
US 3-month CDs	7.20*	7.475
US 3-month T-bills	6.45*	n/a

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100% Sept 8				
(Sept)	83-08	84-26	83-05	84-29
US Treasury Bills (IMM) $1m points of 100%				
(Sept)	93.46	93.56	93.45	93.55
Certificates of Deposit (IMM) $1m points of 100%				
(Sept)	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
(Sept)	92.42	92.44	92.40	92.42
20-year Notional Gilt £50,000 32nds of 100%				
(Sept)	114-26	115-08	115-01	115-04

US BONDS

Treasury

	September 8 Price	September 8 Yield	Prev Price	Prev Yield
7¼ 1989	98²⁹⁄₃₂	8.43	(c)	(c)
7 1994	93¹¹⁄₃₂	9.313	(c)	(c)
8½ 1997	94¹⁹⁄₃₂	9.511	(c)	(c)
8⅞ 2017	92¹¹⁄₁₆	9.574	(c)	(c)

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.66	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	157.57	+0.17	6.71	–0.03
15–30	193.58	+0.56	7.78	–0.03

Source: Merrill Lynch

Corporate

	September 8 Price	September 8 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92.75	6.76	(c)	(c)
SCBT South Central 10⅞ Jan 1993	101.0	10.63	(c)	(c)
Phibro Sal 8 April 1996	86.85	10.35	(c)	(c)
TRW 8⅞ March 1996	91.90	10.20	(c)	(c)
Arco 9⅞ March 2016	93.51	10.60	(c)	(c)
General Motors 8⅛ April 2016	77.86	10.60	(c)	(c)
Citicorp 9⅞ March 2016	85.92	11.00	(c)	(c)

Source: Salomon Brothers

* Latest available figures